BLACKROCK INCOME TRUST INC
Form N-Q
July 26, 2012
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-05542

Name of Fund: BlackRock Income Trust, Inc. (BKT)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Income Trust, Inc., 55 East 52nd Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 08/31/2012

Date of reporting period: 05/31/2012

Item 1 – Schedule of Investments

Schedule of Investments May 31, 2012 (Unaudited)

BlackRock Income Trust, Inc. (BKT)
(Percentages shown are based on Net Assets)

Asset-Backed Securities		Par (000)		Value
Asset-Backed Securities 1.9%				
First Franklin Mortgage Loan Asset-Backed Certificates, Series 2005-FF2, Class M2, 0.68%, 3/25/35 (a)	$	5,890	$	5,541,412
Freddie Mac Mortgage-Backed Securities, Series T-11, Class A9, 2.65%, 1/25/28 (a)		2,058		1,942,772
Securitized Asset-Backed Receivables LLC Trust, Series 2005-OP2, Class M1, 0.67%, 10/25/35 (a)		1,875		1,138,905
Small Business Administration Participation Certificates Class 1:				
Series 1996-20E, 7.60%, 5/01/16		112		119,429
Series 1996-20G, 7.70%, 7/01/16		173		185,507
Series 1996-20H, 7.25%, 8/01/16		211		225,905
Series 1996-20K, 6.95%, 11/01/16		307		330,405
Series 1997-20C, 7.15%, 3/01/17		133		144,736
				9,629,071
Interest Only Asset-Backed Securities 0.2				
Small Business Administration, Series 1, 2.00%, 4/01/15		1,483		12,976
Sterling Bank Trust, Series 2004-2, Class Note, 2.08%, 3/30/30 (b)		4,379		333,879
Sterling Coofs Trust, Series 1, 2.36%, 4/15/29		7,753		605,698
				952,553
Total Asset-Backed Securities 2.1%				10,581,624

Non-Agency Mortgage-Backed Securities				
Collateralized Mortgage Obligations 1.4%				
Collateralized Mortgage Obligation Trust, Series 40, Class R, 0.58%, 4/01/18		96		96
Countrywide Alternative Loan Trust, Series 2005-28CB, Class 1A5, 5.50%, 8/25/35		168		166,093
Deutsche ALT-A Securities, Inc. Alternate Loan Trust, Series 2006-AR5, Class 22A, 5.50%, 10/25/21		850		821,649
Homebanc Mortgage Trust, Series 2005-4, Class A1, 0.51%, 10/25/35 (a)		2,969		2,111,998

Non-Agency Mortgage-Backed Securities		Par (000)		Value
Collateralized Mortgage Obligations (concluded)				
JPMorgan Mortgage Trust, Series 2006-A7, Class 2A2, 2.72%, 1/25/37 (a)	$	356	$	244,932
Kidder Peabody Acceptance Corp., Series 1993-1, Class A6, 16.20%, 8/25/23 (a)		51		57,068
Residential Funding Securities LLC, Series 2003-RM2, Class AI5, 8.50%, 5/25/33		2,360		2,516,703
Structured Adjustable Rate Mortgage Loan Trust, Series 2004-11, Class A, 2.83%, 8/25/34 (a)		1,388		1,308,019
				7,226,558
Commercial Mortgage-Backed Securities 0.5%				
Credit Suisse Mortgage Capital Certificates, Series 2007-C2, Class A3, 5.54%, 1/15/49 (a)		2,420		2,593,197
Interest Only Collateralized Mortgage Obligations 1.0%				
Bank of America Mortgage Securities Inc., Series 2003-3, Class 1A, 0.27%, 5/25/33 (a)		62,999		396,139
CitiMortgage Alternative Loan Trust, Series 2007-A5, Class 1A7, 6.00%, 5/25/37		924		148,404
Collateralized Mortgage Obligation Trust, Series 42, Class R, 6.00%, 10/01/14			(c)	18
First Boston Mortgage Securities Corp., Series C, 10.97%, 4/25/17		19		2,623
GSMPS Mortgage Loan Trust, Series 1998-5, 0.11%, 6/19/27 (a)(b)		4,240		92,523
IndyMac INDX Mortgage Loan Trust, Series 2006-AR33, Class 4AX, 0.17%, 1/25/37		94,441		472,204
MASTR Adjustable Rate Mortgages Trust, Series 2004-3, Class 3AX, 0.98%, 4/25/34		11,591		128,585
MASTR Alternative Loans Trust, Series 2003-9, Class 15X2, 6.00%, 1/25/19		493		63,024
Morgan Stanley Mortgage Loan Trust, Series 2004-3, Class 1AX, 5.00%, 5/25/19		544		50,741
Sequoia Mortgage Trust, Series 2005-2, Class XA, 1.08%, 3/20/35 (a)		37,991		617,355
Structured Adjustable Rate Mortgage Loan Trust, Series 2006-7, Class 3AS, 5.19%, 8/25/36 (a)		25,532		2,760,628

Schedule of Investments (continued)

BlackRock Income Trust, Inc. (BKT)
(Percentages shown are based on Net Assets)

Non-Agency Mortgage-Backed Securities		Par (000)		Value
Interest Only Collateralized Mortgage Obligations (concluded)				
Vendee Mortgage Trust, Series 1999-2, Class 1, 0.04%, 5/15/29 (a)	$	51,965	$	89,769
				4,822,013
Interest Only Commercial Mortgage-Backed Securities 0.0%				
CS First Boston Mortgage Securities Corp., Series 1997-C1, Class AX, 1.31%, 6/20/29 (a)(b)		2,459		52,723
Principal Only Collateralized Mortgage Obligations 0.6%				
Countrywide Home Loan Mortgage Pass-Through Trust:				
Series 2003-26, 8/25/33		1,349		1,297,264
Series 2003-J4, 6/25/33		277		264,652
Series 2003-J5, 7/25/33		408		390,382
Series 2003-J8, 9/25/23		312		307,175
Drexel Burnham Lambert CMO Trust, Class 1:				
Series K, 9/23/17		8		7,516
Series V, 9/01/18		22		21,817
MASTR Asset Securitization Trust, Series 2004-3, Class 4A15, 3/25/34		53		48,973
Residential Asset Securitization Trust, Series 2005-A15, Class 1A8, 2/25/36		796		590,688
Structured Mortgage Asset Residential Trust, Series 1993-3C, Class CX, 4/25/24		7		5,337
Washington Mutual Alternative Mortgage Pass-Through Certificates, Series 2005-9, Class CP, 11/25/35		507		319,142
				3,252,946
Total Non-Agency Mortgage-Backed Securities 3.5%				17,947,437

US Government Sponsored Agency Securities				
Agency Obligations 2.5%				
Federal Housing Administration:				
General Motors Acceptance Corp. Projects, Series 56, 7.43%, 1/01/22		205		200,657
Merrill Projects, Series 54, 7.43%, 5/15/23		2		1,855
Reilly Projects, Series 41, 8.28%, 3/01/20		208		207,084
USGI Projects, Series 87, 7.43%, 12/01/22		63		62,052
		4,178		4,094,757

USGI Projects, Series 99, 7.43%, 6/01/21				
USGI Projects, Series 99, 7.43%, 10/01/23		1558		151,569

US Government Sponsored Agency Securities		Par (000)		Value
Agency Obligations (concluded)				
Resolution Funding Corp., 2.71%, 4/15/30 (d)	$	13,000	$	8,034,481
				12,752,455
Collateralized Mortgage Obligations 13.1%				
Fannie Mae Mortgage-Backed Securities:				
Series 7, Class 2, 8.50%, 4/01/17		4		555
Series 89, Class 2, 8.00%, 10/01/18		6		837
Series 94, Class 2, 9.50%, 8/01/21		2		447
Series 1991-46, Class S, 2,461.75%, 5/25/21 (a)			(c)	4,879
Series 1991-87, Class S, 26.02%, 8/25/21 (a)		44		69,203
Series 1993-199, Class SB, 7.25%, 10/25/23 (a)		607		75,647
Series 1993-247, Class SN, 10.00%, 12/25/23 (a)		346		424,203
Series 1997-90, Class M, 6.00%, 1/25/28		4,994		865,804
Series 2003-32, Class VT, 6.00%, 9/25/15		903		904,266
Series 2003-135, Class PB, 6.00%, 1/25/34		12,264		14,500,343
Series 2004-31, Class ZG, 7.50%, 5/25/34		3,355		4,383,610
Series 2005-43, Class IC, 6.00%, 3/25/34		10		60
Series 2005-73, Class DS, 16.91%, 8/25/35 (a)		2,669		3,558,579
Series 2010-75, Class PI, 4.50%, 12/25/36		14,008		412,316
Series G-7, Class S, 1,116.37%, 3/25/21 (a)			(c)	3,883
Series G-12, Class S, 1,146.44%, 5/25/21 (a)			(c)	10,198
Series G-17, Class S, 1,055.17%, 6/25/21 (a)			(c)	4,737
Series G-33, Class PV, 1.08%, 10/25/21		236		4,315
Series G-49, Class S, 1,008.80%, 12/25/21 (a)			(c)	1,570
Series G92-5, Class H, 9.00%, 1/25/22		69		9,920
Series G92-12, Class C, 1.02%, 2/25/22		204		3,561
Freddie Mac Mortgage-Backed Securities:				
Series 19, Class R, 16,195.30%, 3/15/20 (a)			(c)	1,072
		311		360,468

Series 40, Class K, 6.50%, 8/17/24		
Series 75, Class R, 9.50%, 1/15/21	(c)	2

Schedule of Investments (continued)

BlackRock Income Trust, Inc. (BKT)
(Percentages shown are based on Net Assets)

US Government Sponsored Agency Securities		**Par (000)**		**Value**
Collateralized Mortgage Obligations (concluded)				
Freddie Mac Mortgage-Backed Securities (concluded):				
Series 75, Class RS, 28.10%, 1/15/21 (a)	$		(c)$	2
Series 119, Class F, 8.50%, 3/15/20		68		73,646
Series 173, Class R, 9.00%, 11/15/21 (a)(b)		11		11
Series 173, Class RS, 9.23%, 11/15/21 (a)			(c)	11
Series 192, Class U, 1,009.03%, 2/15/22 (a)			(c)	54
Series 1043, Class H, 43.90%, 2/15/21 (a)		7,853		16,807
Series 1054, Class I, 859.64%, 3/15/21 (a)			(c)	1,353
Series 1057, Class J, 1.01%, 3/15/21		73		1,679
Series 1160, Class F, 39.10%, 10/15/21 (a)		16		32,023
Series 2218, Class Z, 8.50%, 3/15/30		4,910		5,706,077
Series 2542, Class UC, 6.00%, 12/15/22		6,568		7,356,838
Series 2758, Class KV, 5.50%, 5/15/23		9,021		10,176,116
Series 2927, Class BZ, 5.50%, 2/15/35 (a)		3,089		3,863,094
Series 2861, Class AX, 10.44%, 9/15/34 (a)		169		189,526
Series 3744, Class PI, 4.00%, 6/15/39		19,980		3,037,171
Series 3745, Class IN, 4.00%, 1/15/35 (a)		44,190		4,493,470
Ginnie Mae Mortgage-Backed Securities:				
Series 1996-5, Class Z, 7.00%, 5/16/26		478		514,029
Series 2001-33, Class PB, 6.50%, 7/20/31		815		940,660
Series 2004-89, Class PE, 6.00%, 10/20/34		3,392		3,660,031
Series 2010-101, Class YT, 2.00%, 8/16/13		52,722		1,030,192
				66,693,265
Federal Deposit Insurance Corporation Guaranteed 0.8%				

Citigroup Funding, Inc., 1.88%, 10/22/12		3,800		3,825,369
Interest Only Collateralized Mortgage Obligations 4.5%				
Fannie Mae Mortgage-Backed Securities:				
4.50%, 4/01/41		2,735		2,947,510
Series 1990-123, Class M, 1,009.50%, 10/25/20			(c)	518

US Government Sponsored Agency Securities		**Par (000)**		**Value**
Interest Only Collateralized Mortgage Obligations (concluded)				
Freddie Mac Mortgage-Backed Securities (concluded):				
Series 1990-136, Class S, 19.80%, 11/25/20 (a)	$	10,777	$	16,543
Series 1991-99, Class L, 930.00%, 8/25/21			(c)	2,083
Series 1991-139, Class PT, 648.35%, 10/25/21			(c)	3,590
Series 1999-W4, 6.50%, 12/25/28		309		59,060
Series 2003-80, Class DI, 5.50%, 10/25/31		7,102		480,985
Series 2010-74, Class DI, 5.00%, 12/25/39		46,584		3,706,629
Series 2010-126, Class UI, 5.50%, 10/25/40		19,181		3,053,176
Series G-10, Class S, 1,080.00%, 5/25/21 (a)			(c)	11,722
Freddie Mac Mortgage-Backed Securities:				
Series 176, Class M, 1,010.00%, 7/15/21			(c)	570
Series 200, Class R, 196,075.58%, 12/15/22 (a)			(c)	12
Series 1056, Class KD, 1.08%, 3/15/21		50		1,274
Series 1148, Class E, 1,167.37%, 10/15/21 (a)			(c)	3,814
Series 2559, 0.50%, 8/15/30 (a)		167		1,742
Series 2611, Class QI, 5.50%, 9/15/32		3,045		358,666
Series 2949, 5.50%, 3/15/35		505		25,197
Ginnie Mae Mortgage-Backed Securities (a):				
Series 2007-41, Class SL, 6.46%, 7/20/37		9,578		1,695,180
Series 2011-52, Class MJ, 6.41%, 4/20/41		27,837		5,202,422
Series 2011-52, Class NS, 6.43%, 4/16/41		29,401		5,218,065
				22,788,758
Mortgage-Backed Securities 104.7%				
Fannie Mae Mortgage-Backed Securities:				
3.50%, 6/13/42 (f)		7,000		7,346,718
4.00%, 1/01/41 6/13/42 (f)		55,323		58,952,363
4.50%, 8/01/25 6/13/42 (e)(f)(g)		175,212		190,885,375
5.00%, 1/01/23 - 6/13/42 (e)(f)		109,778		119,763,152
5.50%, 2/01/33 6/01/38 (f)(g)		75,725		82,976,653
5.97%, 8/01/16		3,025		3,460,867

6.00%, 6/13/42 (f)	21,800	23,997,030
6.50%, 12/01/37 - 10/01/39	38,614	43,593,730
7.50%, 2/01/22	(c)	115
9.50%, 1/01/19 - 9/01/19	2	2,652

Schedule of Investments (continued)

BlackRock Income Trust, Inc. (BKT)
(Percentages shown are based on Net Assets)

US Government Sponsored Agency Securities		**Par (000)**		**Value**
Mortgage-Backed Securities (concluded)				
Freddie Mac Mortgage-Backed Securities:				
0.20%, 10/01/34 (a)	$	299	$	310,263
2.48%, 1/01/35 (a)		199		202,361
2.73%, 11/01/17		13		14,019
5.00%, 2/01/22 - 4/01/22		816		879,014
9.00%, 9/01/20		43		48,898
Ginnie Mae Mortgage-Backed Securities:				
7.50%, 8/15/21 - 12/15/23		172		185,177
8.00%, 10/15/22 - 8/15/27		67		75,314
9.00%, 6/15/18 - 9/15/21		8		7,999
				532,701,700
Principal Only Collateralized Mortgage Obligations 0.4%				
Fannie Mae Mortgage-Backed Securities:				
Series 203, Class 1, 2/01/23		17		15,517
Series 228, Class 1, 6/01/23		13		11,480
Series 1991-7, Class J, 2/25/21		18		16,007
Series 1993-51, Class E, 2/25/13		57		51,554
Series 1993-70, Class A, 5/25/23		9		8,285
Series 1996-68, Class SC, 1/25/24		225		6,255
Series 1997-50, Class SI, 4/25/23		302		11,053
Series 1999-W4, Class PO, 2/25/29		158		151,808
Series 2002-13, Class PR, 3/25/32		327		315,615
Series G92-60, Class SB, 10/25/22		213		9,028
Series G93-2, Class KB, 1/25/23		148		130,642
Freddie Mac Mortgage-Backed Securities:				
Series 1418, Class M, 11/15/22		61		55,555
Series 1571, Class G, 8/15/23		385		351,441
Series 1691, Class B, 3/15/24		782		687,835
Series 1793, Class B, 2/15/24		11		11,192
Series T-8, Class A10, 11/15/28		127		121,563
				1,954,830
Total US Government Sponsored Agency Securities 126.0%				640,716,377

US Treasury Obligations		
US Treasury Bonds (e):		
3.13%, 2/15/42	22,410	24,503,945
3.00%, 5/15/42	46,715	49,875,550
US Treasury Notes:		
0.88%, 4/30/17 (e)	2,370	2,395,181
0.63%, 5/31/17 (e)	18,165	18,125,255
1.13%, 5/31/19	3,140	3,160,605
2.00%, 2/15/22 (e)	17,930	18,654,211
1.75%, 5/15/22 (e)	13,065	13,269,141
Total US Treasury Obligations 25.6%		129,983,888
Total Long-Term Investments (Cost $775,851,145) 157.2%		799,229,326

Short-Term Securities		Par (000)		Value
Borrowed Bond Agreements 3.7%				
US Treasury Bills:				
0.00%, Open[1]	$	438	$	437,800
0.13%, Open[1]		7,264		7,264,256
0.14%, Open[1]		938		938,400
0.15%, Open[1]		6,508		6,508,450
0.16%, Open[1]		101		100,750
0.16%, Open[1]		3,760		3,760,294
				19,009,950

	Shares	
Money Market Fund 0.4%		
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.15% (h)(i)	2,214,550	2,214,550
Total Short-Term Securities (Cost $21,224,500) 4.1%		21,224,500
Total Investments Before Borrowed Bonds and TBA Sale Commitments (Cost $797,075,645*) 161.3%		820,453,826

Borrowed Bonds		Par (000)	
US Treasury Notes:			
1.25%, 2/15/14	$	920	(935,237)
2.13%, 2/29/16		6,845	(7,258,376)
1.00%, 10/31/16		3,765	(3,832,062)
0.88%, 12/31/16		6,460	(6,535,201)
0.88%, 2/28/17		440	(445,053)
1.00%, 3/31/17		100	(101,688)
Total Borrowed Bonds (Proceeds $18,486,329) (3.7)%			(19,107,617)

TBA Sale Commitments (f)		
Fannie Mae Mortgage-Backed Securities:		
4.50%, 8/01/25 6/13/42	13,300	(14,245,548)
5.00%, 1/01/23 - 6/13/42	900	(970,734)
Total TBA Sale Commitments (Proceeds $15,263,860) (3.0)%		(15,216,282)

Schedule of Investments (continued)

BlackRock Income Trust, Inc. (BKT)
(Percentages shown are based on Net Assets)

		Value
Total Investments, Net of Borrowed Bonds and TBA Sale Commitments 154.6%	$	786,129,927
Liabilities in Excess of Other Assets (54.6)%		(277,594,919)
Net Assets 100.0%	$	508,535,008

* As of May 31, 2012, gross unrealized appreciation and gross unrealized depreciation based on cost for federal income tax purposes were as follows:

Tax cost	$	797,062,694
Gross unrealized appreciation	$	44,499,527
Gross unrealized depreciation		(21,108,395)
Net unrealized appreciation	$	23,391,132

[1] Certain agreements have no stated maturity and can be terminated by either party at any time.

(a) Variable rate security. Rate shown is as of report date.

(b) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(c) Amount is less than $500.

(d) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.

(e) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.

(f) Represents or includes a TBA transaction. Unsettled TBA transactions as of May 31, 2012 were as follows:

Counterparty		Value		Unrealized Appreciation (Depreciation)
BNP Paribas	$	524,766	$	6,016
Credit Suisse Securities (USA) LLC	$	34,460,936	$	(63,533)
Goldman Sachs & Co.	$	61,905,421	$	(239,079)
JPMorgan Chase Securities, Inc.	$	24,537,499	$	76,264
Morgan Stanley & Co., Inc.	$	321,328	$	(1,172)
UBS AG	$	(14,245,548)	$	43,640

(g) All or a portion of security has been pledged as collateral in connection with swaps.

(h) Investments in companies considered to be an affiliate of the Trust during the period, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at August 31, 2011	Net Activity	Shares Held at May 31, 2012	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	3,958,025	(1,743,475)	2,214,550	$ 7,604

(i) Represents the current yield as of report date.

Portfolio Abbreviations

To simplify the listings of portfolio holdings in the Schedule of Investments, the names and descriptions of many of the securities have been abbreviated according to the following list:

LIBOR	London-Interbank Offered Rate
TBA	To Be Announced

Schedule of Investments (continued) **BlackRock Income Trust, Inc. (BKT)**

For Trust compliance purposes, the Trust s industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Trust management. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Reverse repurchase agreements outstanding as of May 31, 2012 were as follows:

Counterparty	**Interest Rate**	**Trade Date**	**Maturity Date**	**Net Closing Amount**	**Face Amount**
Barclays Capital, Inc.	0.32%	5/11/12	6/13/12	$ 60,897,446	$ 60,886,081
BNP Paribas Securities Corp.	0.23%	5/31/12	6/01/12	18,096,997	18,096,881
BNP Paribas Securities Corp.	0.25%	5/31/12	6/01/12	6,547,545	6,547,500
BNP Paribas Securities Corp.	0.18%	5/31/12	6/01/12	49,342,965	49,342,719
Credit Suisse Securities (USA) LLC	0.17%	5/31/12	6/01/12	2,393,711	2,393,700
Credit Suisse Securities (USA) LLC	(0.02)%	5/31/12	6/01/12	5,511,309	5,511,312
Morgan Stanley & Co., Inc.	0.20%	5/31/12	6/01/12	3,207,418	3,207,400
Morgan Stanley & Co., Inc.	0.23%	5/31/12	6/01/12	53,343,578	53,343,238
Total				$ 199,340,969	$ 199,328,831

Financial futures contracts purchased as of May 31, 2012 were as follows:

Contracts	**Issue**	**Exchange**	**Expiration**
101	90-Day Euro Dollar	Chicago Mercantile	June 2012
115	90-Day Euro Dollar	Chicago Mercantile	September 2012
43	Ultra Long US Treasury Bond	Chicago Board of Trade	September 2012

Our ability to continue to receive the benefits of our loss share agreements with the FDIC conditioned upon our compliance with certain requirements under the agreements.
We are the beneficiary of loss share agreements with the FDIC that call for the FDIC to fu portion of our losses on certain assets we acquired in connection with our FDIC-assisted transactions. To recover a portion of our losses and retain the loss share protection, we mu comply with certain requirements imposed by the agreements. The requirements of the agreements relate primarily to our administration of the assets covered by the agreements, as our obtaining the consent of the FDIC to engage in certain corporate transactions that m deemed under the agreements to constitute a transfer of the loss share benefits. When the c of the FDIC is required under the loss share agreements, the FDIC may withhold its conse may condition its consent on terms that we do not find acceptable. If the FDIC does not gr consent to a transaction we would like to pursue, or conditions its consent on terms that w find acceptable, we may be unable to engage in a corporate transaction that might otherwi benefit our shareholders or we may elect to pursue such a transaction without obtaining th

FDIC's consent, which could result in termination of our loss share agreements with the FI
Changes in national and local economic conditions could lead to higher losses in connectio
assets acquired in our past FDIC-assisted transactions and the loss sharing agreements with
FDIC may not cover all of those losses.

In connection with our past FDIC-assisted transactions, we acquired portfolios of loans an
Although we have marked down the loan portfolios and ORE we acquired, the non-impair
loans we acquired may become impaired or may further deteriorate in value, resulting in
additional charge-offs to our loan portfolio and ORE losses. The fluctuations in national, r
and local economic conditions, including those related to local residential, commercial rea
and construction markets, may increase the level of charge-offs that we make to our loan p
and ORE losses and consequently reduce our capital. The fluctuations are not predictable,
be controlled and may have a material adverse impact on our operations and financial cond
even if other favorable events occur.

Our loss sharing agreements with the FDIC will not cover all of our losses on loans and O
acquired.

Although we have entered into loss share agreements with the FDIC that provide that the F
will bear a significant portion of losses related to specified loan portfolios and ORE that w
acquired, we are not protected for all losses with respect to those specified loan portfolios
ORE. Additionally, the loss sharing agreements have limited terms. Therefore, the FDIC w
reimburse us for any charge-offs or related losses that we experience after the term of the l
share agreements expire, and any such charge-offs would negatively impact our net incom
Moreover, the loss share provisions in the loss share agreements may be administered imp
or the FDIC may interpret those provisions in a way differently than we do. In any of those
events, our losses could increase.

Our controls and procedures may fail or be circumvented.

Management regularly reviews and updates our internal controls, disclosure controls and
procedures, and corporate governance policies and procedures. Any system of controls, ho
well designed and operated, is based in part on certain assumptions and can provide only
reasonable, not absolute, assurances that the objectives of the system are met. Any failure
circumvention of our controls and procedures or failure to comply with regulations related
controls and procedures could have a material adverse effect on our business, results of
operations, and financial condition.

We use financial models extensively to manage our day-to-day operations that may produc
inaccurate information which differs significantly from actual results.

Management relies on the output from a number of quantitative models to measure risk an
estimate certain financial values. We use these models as part of several key business proc
such as pricing various products and services, classifying loans, setting interest rates on lo
deposits, calculating interest rate and other market risks, measuring capital adequacy, and
estimating the value of certain financial instruments. Business decisions relying on inaccur
erroneous financial models may prove inefficient or ineffective. We also provide informat
our investors and regulators which may be negatively impacted by inaccurately designed o
implemented models.

We may not be able to attract and retain skilled people.

Our success depends, in large part, on our ability to attract and retain key people. Competi
the best people in most activities that we engage in can be intense and we may not be able
or retain people. The unexpected loss of services of one or more of our key personnel coul
a material adverse impact on our business because of their skills, knowledge of our market
of industry experience, and the difficulty of promptly finding qualified replacement person

We rely on third party vendors for a number of key components of our business.
We contract with a number of third party vendors to support our infrastructure. Many of th vendors are large national companies who are dominant in their area of expertise and woul difficult to quickly replace. Failures of certain vendors to provide services could adversely our ability to deliver products and services to our customers, disrupting our business and c us to incur significant expense. External vendors also present information security risks. W maintain a vendor management program to monitor vendor risk, including the financial sta of our critical vendors.
Our information systems we use to operate our business may experience an interruption or in security.
We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disrup our customer relationship management, general ledger, deposit, loan, and other systems. W we have policies and procedures designed to prevent or limit the effect of the failure, inter or security breach of our information systems, there can be no assurance that any such fail interruptions or security breaches will not occur or, if they do occur, that they will be adeq addressed. Additionally, to the extent we rely on third party vendors to perform or assist operational functions, the challenge of managing the associated risks becomes more difficu occurrence of any failures, interruptions or security breaches of our information systems co damage our reputation, result in a loss of customer business, subject us to additional regula scrutiny, or expose us to civil litigation and possible financial liability, any of which could material adverse effect on our financial condition and results of operations. Additionally, f legislation and regulation related to privacy, data breach notification, cybersecurity and information security could have a significant impact on our current and planned data priva security practices.
Our customer electronic information systems may experience a security breach, computer disruption of service.
We provide our customers with the ability to bank online. The secure transmission of conf information over the Internet is a critical element of online banking. We also deploy part o a number of our other core business applications and services under cloud computing arrangements using the Internet. While we use qualified third party vendors to test and aud network and maintain an enterprise-wide information security program, our network could become vulnerable to unauthorized access, computer viruses, phishing schemes and other problems. We may be required to spend significant capital and other resources to protect a the threat of security breaches and computer viruses, or to alleviate problems caused by se breaches or viruses. To the extent that our activities or the activities of our customers invo storage and transmission of confidential information, security breaches and viruses could e us to claims, litigation and other possible liabilities. Any inability to prevent security breac computer viruses could also cause existing customers to lose confidence in our systems an adversely affect our reputation and our ability to generate deposits. Any failures, interrupti security breaches could result in damage to our reputation, a loss of customer business, inc regulatory scrutiny, or possible exposure to financial liability, any of which could have a m adverse effect on our financial condition and results of operations.
The operational functions of business counterparties may experience similar disruptions th could adversely impact us and over which we may have limited or no control.
In 2013 and 2014, a number of major U.S. corporations, particularly retailers, experienced systems incursions, mainly perpetrated at point of sale devices and reportedly resulting in t thefts of sensitive financial data of tens of millions of individuals. These incursions affecte issued and deposit accounts maintained by many banks, including the Bank. Although our systems were not breached in these incursions, these events can cause us to take costly ste

as reissuing debit cards to avoid significant theft loss to the Bank and our customers. Other possible points of incursion or disruption not within our control include internet service providers, electronic mail portal providers, social media portals, distant-server ("cloud") se providers, electronic data security providers, telecommunications companies, and smart ph manufacturers.

Our business is technology dependent, and an inability to invest in technological improvem may adversely affect our earnings and financial condition.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services, which may require substant capital expenditures to modify or adapt existing products and services. In addition to better customer service, the effective use of technology increases efficiency and results in reduce Our future success will depend in part upon our ability to use technology to provide produ services that provide convenience to customers and to create additional efficiencies in oper Many competitors have substantially greater resources to invest in technological improvem We cannot make assurances that technological improvements will increase operational eff or that we will be able to effectively implement new technology-driven products and servi be successful in marketing these products and services to our customers. The ability to kee with technological change is important, and the failure to do so on our part could have a m adverse impact on our business and therefore on our financial condition and results of oper

We are subject to claims and litigation.

From time to time, customers and others make claims and take legal action pertaining to o performance of our responsibilities. Whether customer claims and legal action related to o performance of our responsibilities are founded or

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unfounded, or if such claims and legal actions are not resolved in a manner favorable to us may result in significant financial liability and/or adversely affect the market perception of our products and services, as well as impact customer demand for those products and servi Any financial liability or reputation damage could have a material adverse effect on our bu which, in turn, could have a material adverse effect on our financial condition and results o operations.

Negative public opinion could damage our reputation and adversely impact business and revenues.

The risk to our business, earnings and capital from negative public opinion regarding our reputation, our competitors, and the financial institutions industry in general, is inherent in business. In addition, negative public opinion of third parties with whom we have importa relationships may adversely impact our reputation. Negative public opinion may result fro actual or alleged conduct in any number of activities, including lending practices, the failu product or service to meet the clients' expectations or applicable regulatory requirements, corporate governance and acquisitions, or from actions taken by government regulators an community organizations in response to those activities. Actual or alleged conduct by one business lines may result in negative public opinion about the other business lines. Negativ public opinion may adversely affect our ability to keep and attract clients and employees a expose us to litigation and regulatory action. Although we take steps to minimize reputatio in dealing with our clients and communities, this risk will always be present given the natu our business.

Risks Related to our Common Stock

Our stock price can be volatile.

Stock price volatility may make it more difficult for shareholders to resell common stock they want and at prices they find attractive. Our stock price can fluctuate significantly in r to a variety of factors including, among other things:

- news reports relating to trends, concerns and other issues in the financial services industry
- actual or anticipated variations in quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable
- perceptions in the marketplace regarding us and/or our competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or commitments by or involving us or our competitors;
- changes in government laws and regulation; and
- geopolitical conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors, and general economic and political conditio events, such as economic slowdowns or recessions, interest rate changes or credit loss tren could also cause our stock price to decrease, regardless of operating results.

Our common stock trading volume is less than that of other larger financial services comp

Although our common stock is listed for trading on the NASDAQ Global Select Market, t trading volume in our common stock is less than that of larger financial services companie public trading market having the desired characteristics of depth, liquidity, and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common s any given time. This presence depends on the individual decisions of investors and genera economic and market conditions over which we have no control. Given the lower trading of our common stock, significant sales of our common stock, or the expectation of these s could cause our stock price to fall.

There are substantial regulatory limitations on changes of control of bank holding compan

With certain limited exceptions, federal regulations prohibit a person or company or a grou
persons deemed to be "acting in concert" from, directly or indirectly, acquiring more than
(5% if the acquirer is a bank holding company) of any class of our voting stock or obtainin
ability to control in any manner or election of a majority of our directors or otherwise direc
management or policies of our company without prior notice or application to and the appr
the Federal Reserve. Accordingly, prospective investors need to be aware of and comply w
these requirements, if applicable, in connection with any purchase of our common stock.

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The exercise of the Warrant by the Treasury would dilute existing shareholders' ownership interest and may make it more difficult for us to take certain actions that may be in the best interest of shareholders.

On December 19, 2008, we granted the U.S. Treasury a ten-year Warrant to purchase up to 2,665,946 shares of our common stock at a price of $2.71 per share, adjusted for dividends the Treasury auctioned the Preferred Shares in 2012, it did not sell the Warrant, and while redeemed the Preferred Shares in 2013, the Treasury continues to hold the Warrant. If the Treasury exercises the entire Warrant, it would result in a significant dilution to the owner interest of our existing shareholders. Further, if the Treasury exercises the entire Warrant, become our second largest shareholder. The Treasury has agreed that it will not exercise v power with regard to the shares that it acquires by exercising the Warrant. However, Treas abstention from voting may make it more difficult for us to obtain shareholder approval fo matters that require a majority of total shares outstanding, such as a business combination.

Provisions in our Bylaws and our Tax Benefits Preservation Plan may make it more difficu another party to obtain control.

Our bylaws elect for the provisions of Article 11A of the Georgia Business Corporation C "Business Combination Statute") to apply to the Company. We have also adopted a Tax B Preservation Plan. Our bylaws and Tax Benefits Preservation Plan could make it more diff for a third party to acquire control of us or could have the effect of discouraging a third pa from attempting to acquire control of us. These provisions could make it more difficult for party to acquire us even if an acquisition might be at a price attractive to some of our shareholders.

Issuing additional shares of our common stock to acquire other banks, bank holding comp financial holding companies and/or insurance agencies may result in dilution for existing shareholders and may adversely affect the market price of our stock.

In connection with our growth strategy, we may issue, in the future, shares of our common to acquire additional banks, bank holding companies, financial holding companies, insurar agencies and/or other businesses related to the financial services industry that may comple our organizational structure. Resales of substantial amounts of common stock in the public market and the potential of such sales could adversely affect the prevailing market price of common stock and impair our ability to raise additional capital through the sale of equity securities. We may be required to pay an acquisition premium above the fair market value acquired assets for the acquisition of banks, bank holding companies, financial holding companies and insurance agencies. Paying this acquisition premium, in addition to the dilu effect of issuing additional shares, may also adversely affect the prevailing market price of common stock.

Our ability to declare and pay dividends is limited.

There can be no assurance of whether or when we may pay dividends in the future. Future dividends, if any, will be declared and paid at the discretion of our board of directors and v depend on a number of factors. Although our recent dividends have been paid out of exces at the holding company. Historically, the principal source of funds used by us to pay cash dividends has been dividends received from the Bank. The Bank's asset quality, earnings performance, liquidity and capital requirements will be taken into account in addition to ou liquidity and capital requirements.

Federal and state banking laws and regulations and state corporate laws restrict the amoun dividends Fidelity or the Bank may declare and pay. For example, under the regulations of GDBF, dividends may not be declared out of the retained earnings of a state bank without obtaining the written permission of the GDBF, unless such bank meets certain classified as ratio, dividend payout and equity ratio.

The payment of dividends by Fidelity and the Bank may also be affected or limited by oth
factors, such as the requirement to maintain adequate capital above regulatory guidelines.
addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdicti
engaged in or is about to engage in an unsafe or unsound practice (which, depending upon
financial condition of the bank, could include the payment of dividends), such authority m
require, after notice and hearing, that such bank cease and desist from such practice. The F
has issued a policy statement providing that insured banks should generally only pay divid
out of current operating earnings. In addition to the formal statutes and regulations, regula
authorities consider the adequacy of the Bank's total capital in relation to its assets, deposi
other such items. Capital adequacy considerations could further limit the availability of di
to the Bank.

The price of our common stock may fluctuate significantly, which may make it difficult fo
shareholders to resell shares of our common stock at desired times or attractive prices.
Our stock price may fluctuate significantly as a result of a variety of factors, many of whic
beyond our control. The market for our common stock historically has experienced and ma
continue to experience significant price and volume fluctuations similar to those experienc
the broader stock market in recent years. Generally, the fluctuations experienced by the br
stock market have affected the market prices of securities issued by many companies for r
unrelated to their operating performance and may adversely affect the price of our commo
In addition, our announcements of our quarterly or annual financial results, changes in gen
conditions in the economy or the financial markets and other developments affecting us, o
affiliates or our competitors could cause the market price of our common stock to fluctuate
substantially. We expect that the market price of our common stock will continue to fluctu
there can be no assurances about the levels of market prices for our common stock or that
trade at prices at or above the price offered hereby.
Securities that we issue, including our common stock, are not FDIC insured.
Securities that we issue, including our common stock, are not savings or deposit accounts
obligations of any bank and are not insured by the FDIC or any other governmental agenc
instrumentality or any private insurer and are subject to investment risk, including the pos
loss of your investment.
We may issue debt or equity securities or securities convertible into equity securities, any
which may be senior to our common stock as to distributions and in liquidation, which co
negatively affect the value of our common stock.
In the future, we may attempt to increase our capital resources by entering into debt or deb
financing that is unsecured or secured by all or up to all of our assets, or by issuing additio
debt or equity securities, which could include issuances of secured or unsecured commerc
paper, medium-term notes, senior notes, subordinated notes, preferred stock or securities
convertible into or exchangeable for equity securities. In the event of our liquidation, our l
and holders of our debt and preferred securities would receive a distribution of our availab
assets before distributions to the holders of our common stock. Because any decision to in
or issue securities in our future offerings will depend on market conditions and other facto
beyond our control, we cannot predict or estimate the amount, timing or nature of our futu
offerings and debt financings. Further, market conditions could require us to accept less fa
terms for the issuance of our securities in the future.

Item 1B. Unresolved Staff Comments
None

Item 2. Properties
We deliver our products and services through a network of offices located in Southern stat
consisting of 45 retail bank branches and 25 loan production offices. At December 31, 201
owned 36 of these retail bank branches and we leased all 25 loan production offices. The
remaining retail branch locations are leased.
We deliver administrative support functions through our executive offices located at 3490
Piedmont Road, Atlanta, Georgia and our corporate operations center which is located at 3
Corporate Square, Atlanta, Georgia, both of which are leased.
We generally consider the properties owned and leased throughout our footprint to be ade
We are continuing to modernize, expand, acquire and, when necessary, replace facilities to
support our strategic plan of steady, planned growth.

Item 3. Legal Proceedings

We are a party to claims and lawsuits arising in the course of normal business activities. A
the ultimate outcome of all claims and lawsuits outstanding as of December 31, 2014 cann
ascertained at this time, it is the opinion of management that these matters, when resolved,
not have a material adverse effect on our results of operations or financial condition.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issue
Purchases of Equity Securities

Our common stock trades on the NASDAQ Global Select Market under the symbol "LION
of March 2, 2015, there were approximately 1,000 shareholders of record. In addition, sha
approximately 2,300 beneficial owners of our common stock were held by brokers, dealer
their nominees.

The following table sets forth the per share cash dividends declared and the high and low
sale prices per share for our common stock for the calendar quarters indicated, as publishe
NASDAQ.

	High (*)	Low (*)	Cas Div De
2014			
First quarter	$16.57	$13.63	$0.
Second quarter	14.44	12.80	0.0
Third quarter	14.88	12.98	0.0
Fourth quarter	16.36	13.55	0.0
2013			
First quarter	$11.54	$9.35	$—
Second quarter	12.96	10.65	—
Third quarter	15.84	12.47	0.0
Fourth quarter	17.80	13.32	0.0

(*) Historical periods prior to and including December 31, 2013 adjusted for stock dividen

A cash dividend of 9 cents per share was declared by the Board of Directors on January 16
payable on February 13, 2015, to holders of record as of February 2, 2015.

Stock dividends declared, by quarter, for the years ended December 31, 2014 and 2013 we
follows:

	For the Years Ended December 31,	
	2014	2013
First quarter	None	1 for 1
Second quarter	None	1 for 1
Third quarter	None	1 for 1
Fourth quarter	None	1 for 2

The Board of Directors reviews whether to declare and pay dividends on a quarterly basis,
of current regulatory limitations, earnings, capital requirements, and forecasts of future ea
See Note 3 to the consolidated financial statements in Item 8 for a further discussion of th
restrictions on our ability to pay dividends.

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Issuer Purchases of Equity Securities

The following table presents information relating to our purchase of shares of common sto
the fourth quarter of 2014.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximun Number (or Approximate Value) of Sha Units) Shares Units) That M Be Purchased the Plans or Programs
October 1 - 31, 2014	—	—	—	$ 10,000,000
November 1 - 30, 2014	—	—	—	10,000,000
December 1 - 31, 2014	—	—	—	10,000,000
Total	—	—	—	$ 10,000,000

The repurchase plan announced April 3, 2014, authorizing the repurchase of up to $10 mil
our outstanding common stock, has no expiration date for the authorized share repurchases
this plan.

Sale of Unregistered Securities

We have not sold any unregistered securities during the period.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents information as of December 31, 2014, with respect to shares
common stock that may be issued under equity compensation plans. Our equity compensat
plans consist of the stock options, restricted stock grants, and other awards as defined in th
Equity Incentive Plan and the 401(k) tax qualified savings plan.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Secu Remaining Ava Future Issuance Equity Compen (Excluding Secu Reflected in Co A)
Equity Compensation Plans Approved by Shareholders[1]	554,998	$ 12.12	3,410,360
Equity Compensation Plans Not Approved by Shareholders[2]	—	—	—
Total	554,998	$ 12.12	3,410,360

[1] 2006 Equity Incentive Plan.

[2] Excludes shares issued under the 401(k) Plan.

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Shareholder Return Performance Graph

The following graph compares the percentage change in the cumulative five-year sharehol
return on our common stock (traded on the NASDAQ Global Select Market under the sym
"LION") with the cumulative total return on the NASDAQ Composite Index, and the SNL
NASDAQ Index.

Fidelity Southern Corporation

The graph assumes that the value invested in our common stock and in each of the two ind
was $100 on December 31, 2009, and all dividends were reinvested.

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	Period Ended December 31,					
Index	2009	2010	2011	2012	2013	20
Fidelity Southern Corporation	$100.00	$197.80	$174.54	$290.97	$522.57	$
NASDAQ Composite	100.00	118.15	117.22	138.02	193.47	2
SNL Bank NASDAQ	100.00	117.98	104.68	124.77	179.33	1

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Item 6. Selected Financial Data

The following table contains selected consolidated financial data. This information should in conjunction with "Management's Discussion and Analysis of Financial Condition and F Operations," included in Item 7 of this report and the consolidated financial statements and included in Item 8 of this report.

	Years Ended December 31,				
($ in thousands, except per share data)	2014	2013	2012	2011	2010
INCOME STATEMENT DATA:					
Interest income	$101,667	$97,563	$97,570	$93,710	$95,3
Interest expense	11,226	13,961	17,078	22,849	30,56
Net interest income	90,441	83,602	80,492	70,861	64,77
Provision for loan losses	531	5,440	13,420	20,325	17,12
Noninterest income, including securities gains	95,320	96,878	87,961	51,429	42,85
Securities gains, net	—	189	307	1,078	2,291
Noninterest expense	138,754	132,325	115,397	85,422	75,97
Net income	30,036	27,638	25,327	11,398	10,13
PERFORMANCE:					
Earnings per common share - basic (1)	$1.41	$1.35	$1.47	$0.60	$0.56
Earnings per common share - diluted (1)	$1.28	$1.21	$1.32	$0.54	$0.51
Book value per common share (1)	$12.40	$11.07	$9.57	$8.33	$7.76
Cash dividends paid per common share	$0.30	$0.05	$—	$0.02	$—
Dividend payout ratio	21.28 %	3.70 %	— %	3.33 %	—
Return on average assets	1.11 %	1.09 %	1.08 %	0.55 %	0.54
Return on average shareholders' equity	12.07 %	12.20 %	14.19 %	7.43 %	7.50
Net interest margin	3.62 %	3.58 %	3.74 %	3.67 %	3.66
END OF PERIOD BALANCE SHEET SUMMARY:					
Total Assets	$3,085,225	$2,564,168	$2,477,291	$2,234,795	$1,94
Earning assets	2,848,618	2,357,273	2,285,460	2,073,969	1,830,
Loans, excluding Loans Held-for-Sale	2,253,306	1,893,037	1,777,031	1,623,871	1,403,
Total loans	2,622,241	2,080,403	2,081,125	1,757,720	1,613,
Total deposits	2,458,022	2,202,452	2,068,011	1,871,516	1,613,
Long term borrowings	46,393	56,393	67,527	120,027	142,2
Shareholders' equity	264,951	236,230	192,888	167,280	140,5
DAILY AVERAGE BALANCE SHEET SUMMARY:					

Total Assets	$2,715,759	$2,543,145	$2,345,176	$2,063,169	$1,87
Earning assets	2,510,247	2,345,492	2,161,438	1,944,385	1,778,
Total loans	2,284,245	2,109,575	1,931,714	1,611,825	1,480,
Total deposits	2,259,825	2,103,465	1,933,473	1,499,451	1,562,
Long-term debt	48,366	69,008	86,256	125,828	129,1
Shareholders' equity	248,783	226,457	178,517	153,312	135,1
ASSET QUALITY RATIOS:					
Net charge-offs to average loans	0.33 %	0.38 %	0.60 %	1.38 %	1.44
Net charge-offs to average loans excluding covered loans	0.33 %	0.39 %	0.47 %	1.39 %	1.44
Allowance to period-end loans	1.13 %	1.78 %	1.92 %	1.72 %	2.00
Nonperforming assets to total loans, ORE and repossessions	2.61 %	3.78 %	4.56 %	5.59 %	6.89
Allowance to nonperforming loans, ORE and repossessions	0.43x	0.46x	0.41x	0.30x	0.29x
SELECTED RATIOS:					
Loans to total deposits	91.67 %	85.95 %	85.93 %	86.77 %	86.99
Average total loans to average earning assets	91.00 %	90.00 %	89.91 %	83.35 %	83.34
Non-Interest Income to Revenue	48.39 %	49.83 %	47.41 %	35.43 %	31.01
Leverage Ratio	10.40 %	11.02 %	10.18 %	9.83 %	9.36
Tier 1 Risk-Based Capital	11.07 %	12.71 %	12.06 %	11.85 %	10.87
Total Risk-Based Capital	12.01 %	13.96 %	13.43 %	13.70 %	13.28
Average equity to average assets	9.16 %	8.90 %	7.61 %	7.43 %	7.19

(1) Historical periods prior to and including December 31, 2013 adjusted for stock divider

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

CONSOLIDATED FINANCIAL REVIEW

The following management discussion and analysis addresses important factors affecting o results of operations and financial condition as of and for the periods indicated. The conso financial statements and accompanying notes should be read in conjunction with this revie

Overview

Since our inception in 1974, we have pursued managed profitable growth through providin quality financial services. Our overall focus is on building shareholder value. Our mission continue growth, improve earnings and increase shareholder value; to treat customers, emp community and shareholders according to the Golden Rule; and to operate within a culture strong internal controls."

Our franchise spans the metropolitan Atlanta market and northern Florida. We also conduc indirect automobile lending, residential mortgage lending and SBA lending activities in tw Southern states. During 2014, we continued to expand our footprint with the opening of additional offices in our retail banking, mortgage lending, and indirect automobile lending divisions including the commencement of indirect automobile lending activities in Louisia expansion of mortgage lending activities into Alabama and the acquisition of a group of re branches in northern Florida.

Our lending activities are significantly influenced by the local economic environments in t markets we serve. We have organically grown our consumer installment, mortgage, constr and commercial loan portfolios as the economic recession of 2007 to 2009 began to recede 2012 and 2013. Our loan portfolio is well diversified among consumer, business, and real lending. The credit quality of our loan portfolio has continued to improve.

Financial Performance

We recorded net income for 2014 of $30.0 million compared to $27.6 million in 2013, an increase of $2.4 million, or 8.7%. Net income per basic and diluted common share were $1 and $1.28, respectively for 2014 and $1.35 and $1.21, respectively, in 2013. The increase o million, or 8.2%, in net interest income and decrease in provision expense of $4.9 million, 90.2%, were the main factors impacting the growth in our earnings for 2014.

We derive approximately half of our revenues from noninterest income sources such as ser charges on loan and deposit accounts and fees on other services; income from mortgage ba indirect automobile, and SBA activities; and gains on ORE sales. The majority of this reve earned from gains on sales of originated and brokered loans. We retain servicing on the ma of loans sold which generates servicing revenue over the life of the loans sold.

A portion of our profitability, as with most financial institutions, is dependent upon net int income, which is the difference between the interest we receive on interest-earning assets, loans and securities, and the interest we pay on interest-bearing liabilities, principally depo and borrowings. Our net interest margin is affected by prevailing interest rates, nonperform assets and competition among financial institutions for loans and deposits.

We continue to attract new customer relationships, and talented and experienced bankers t support our growth. The focus in 2015 will continue to be on credit quality, revenue growt expense controls, deposit growth and quality loan growth.

Critical Accounting Policies

Our accounting and reporting policies are in accordance with U.S. generally accepted acco principles and conform to general practices within the financial services industry. Our fina position and results of operations are affected by management's application of accounting including estimates, assumptions, and judgments made to arrive at the carrying value of as and liabilities and amounts reported for revenues, expenses, and related disclosures. Differ assumptions in the application of these policies, or conditions significantly different from c assumptions, could result in material changes in our consolidated financial position or consolidated results of operations. Our accounting policies are fundamental to understandi consolidated financial position and consolidated results of operations. Our significant acco policies are discussed in detail in Note 1 in the "Notes to Consolidated Financial Statemen Significant accounting policies have been periodically discussed and reviewed with and ap by the Audit Committee of the Board of Directors and the Board of Directors.

The following is a summary of our critical accounting policies that are highly dependent o estimates, assumptions, and judgments.

Allowance for Loan Losses

The allowance for loan losses is established and maintained through provisions charged to operations. Such provisions are based on management's evaluation of the loan portfolio, in loan portfolio concentrations, current economic conditions, past loan loss experience, adeq underlying collateral, and such other factors which, in management's judgment, deserve consideration in estimating loan losses. Loans are charged off when, in the opinion of management, such loans are deemed to be uncollectable. Subsequent recoveries are added allowance.

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A formal review of the allowance for loan losses is prepared at least monthly to assess the probable credit risk inherent in the loan portfolio and to determine the adequacy of the allo for loan losses. For purposes of the monthly management review, the loan portfolio is sepa by loan type. The level of allowance required for each loan type is determined based upon historical charge-off experience and current economic trends. In addition to homogeneous of loans, every commercial, commercial real estate, SBA, and construction loan is assigne rating using established credit policy guidelines. All nonperforming commercial, commerc estate, SBA, and construction loans and loans deemed to have greater than normal risk characteristics are reviewed monthly by the Credit Review department to determine the lev additional allowance for loan losses, if any, required to be specifically assigned to these lo

Acquisition Accounting

We account for acquisitions under the acquisition method of accounting. Generally accepte accounting principles require the use of fair values in determining the carrying values of as and liabilities acquired in a business combination, as well as for specific disclosures. The f value of a loan portfolio and foreclosed property acquired in a business combination requir greater levels of management estimates and judgment than the remainder of assets or assum liabilities.

The credit risks inherent and evidenced in our FDIC-assisted transactions resulted in subst all loans purchased in the transactions having a credit discount. On the date of acquisition, the loans have evidence of credit deterioration since their origination and we believe it is p that we will not collect all contractually required principal and interest payments, we refer difference between contractually required payments and the cash flows expected to be coll as the non-accretable discount. We must estimate expected cash flows at each future repor date. Subsequent decreases to the expected cash flows generally result in a provision for lo losses, net of the amount due from the FDIC under the applicable loss share agreement. Subsequent increases in cash flows result in a reversal of the provision for loan losses to th extent of prior charges and adjusted accretable discount, which will have a positive effect o interest income.

Because we recorded acquired loans at fair value, we recorded no allowance for loan losse related to the acquired loans on the acquisition date, given that the fair value of the loans a incorporates assumptions regarding credit risk. We recorded acquired covered loans at fair exclusive of the loss share agreements with the FDIC. The fair value estimates associated w loans include estimates related to expected prepayments and the amount and timing of exp principal, interest and other cash flows.

FDIC Receivable for Loss Share Agreements

We entered into loss share agreements with the FDIC in conjunction with our FDIC-assist transactions in which the FDIC has agreed to reimburse us for 80% of all losses incurred in connection with the portion of our loan and ORE assets covered under the loss share agree We estimated the amount that will be received from the FDIC under the loss share agreem that will result from losses incurred on the covered loans and ORE assets, and we recorded estimated fair value as a receivable from the FDIC. The FDIC receivable for loss share agreements is measured separately from the related covered assets because it is not contrac embedded in the assets and is not transferable if we sell the assets. We estimated the fair v the FDIC receivable using the present value of cash flows related to the loss share agreeme based on the expected reimbursements for losses and the applicable loss share percentages We review and update the fair value of the FDIC receivable prospectively as loss estimate related to covered loans and ORE change. Subsequent decreases in the amount expected to collected from the covered assets result in a provision for loan losses, an increase in the allowance for loan losses, and a proportional adjustment to the FDIC receivable for the est amount to be reimbursed. Subsequent increases in the amount expected to be collected fro

covered assets result in the reversal of any previously recorded provision for loan losses an
related allowance for loan losses and adjustments to the FDIC receivable, or prospective
adjustments to the accretable discount if no provision for loan losses had previously been
recorded. We discounted the receivable for the expected timing and receipt of these cash f
using a risk-free rate plus a premium for risk. Fair value accounting incorporates into the f
value of the FDIC receivable an element of the time value of money, which is accreted bac
income over the life of the loss share agreements.

Amortization of the FDIC receivable is recorded as an expense over the estimated life of th
receivable or the remaining life of the underlying assets, whichever is shorter. The ultimate
realization of the FDIC receivable depends on the performance of the underlying covered a
the passage of time and claims paid by the FDIC.

Other Real Estate ("ORE")

ORE, consisting of properties obtained through foreclosure or through a deed in lieu of
foreclosure in satisfaction of loans, is initially reported at fair value, determined on the bas
current appraisals, comparable sales, and other estimates of value obtained principally from
independent sources, adjusted for estimated selling costs. Management also considers othe
factors, including changed economic conditions since the last appraisal, changes in absorp
rates, stale appraisals or imprecision and subjectivity of the appraisal process, length of tim
property has been on the market and anticipated sales values, which have resulted in adjus
to the collateral value estimates indicated in certain appraisals.

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Significant judgments and complex estimates are required in estimating the fair value of O
a result of the significant judgments required in estimating fair value and the variables inv
different methods of disposition, the net proceeds realized from sales transactions could di
significantly from appraisals, comparable sales, and other estimates used to determine the
value of ORE. The period of time within which such estimates can be considered current i
significantly shortened during periods of market volatility.

At the time of foreclosure or initial possession of collateral, any excess of the loan balance
the fair value of the real estate held as collateral is treated as a charge against the allowanc
loan losses, net of amounts covered under loss share agreements with the FDIC. After the
to ORE, the fair value, less estimated selling costs, becomes the new cost basis for the OR
Subsequent declines in the fair value of ORE, net of amounts covered under loss share
agreements with the FDIC, below the new cost basis are recognized by a charge to income
Management reviews the value of ORE on at least a quarterly basis and adjusts the values
appropriate. Generally, a new appraisal is received annually on each ORE property. Any
subsequent adjustments to reflect changes in fair value and selling costs are recorded as a
component of other noninterest expense or a reduction of any existing valuation allowance
property by property basis, but not below zero. In response to market conditions and other
economic factors, management may utilize liquidation sales as part of its problem asset
disposition strategy.

Revenue from ORE operations as well as gains or losses on sales are recorded as a compo
noninterest income, net of amounts due to/from the FDIC on ORE covered under loss shar
agreements. Expenses from ORE operations are recorded as a component of noninterest ex
net of amounts due from the FDIC on ORE covered under loss share agreements.

Capitalized Servicing Assets and Liabilities

We sell indirect automobile loan pools, residential mortgages and SBA loans with servicin
retained. When the contractual servicing fees on loans sold with servicing retained are exp
to be more than adequate compensation to a servicer for performing the servicing, a capita
servicing asset is recognized. When the expected costs to a servicer for performing loan se
are not expected to adequately compensate a servicer, a capitalized servicing liability is
recognized. Servicing assets and servicing liabilities are amortized over the expected lives
serviced loans utilizing the interest method. Management makes certain estimates and
assumptions related to costs to service varying types of loans and pools of loans, the proje
lives of loans and pools of loans sold, and discount factors used in calculating the present
of servicing fees projected to be received.

No less frequently than quarterly, management reviews the status of all loans and pools of
sold with related capitalized servicing assets to determine if there is any impairment to tho
assets due to such factors as earlier than estimated repayments or significant prepayments.
impairment identified in these assets will result in reductions in their carrying values and a
corresponding increase in operating expenses.

Loan-Related Revenue Recognition

Loans held for investment (excluding acquired loans) are reported at principal amounts
outstanding, net of deferred fees and costs. Interest income and ancillary fees from loans a
primary source of revenue. Interest income is recognized in a manner that results in a level
on principal amounts outstanding. Rate-related loan fee income, loan origination, and
commitment fees, and certain direct origination costs are deferred and amortized as an adj
of the yield over the contractual lives of the related loans, taking into consideration assum
prepayments. The accrual of interest is discontinued when, in management’s judgment, it i
determined that the collectability of interest or principal is doubtful.

For business loans, the accrual of interest is discontinued and the loan categorized as nona
when, in management’s opinion, due to deterioration in the financial position or operation

borrower, the full repayment of principal and interest is not expected, or principal or intere been in default for a period of 90 days or more, unless the obligation is both well secured a the process of collection. Business loans may be returned to accrual status when managem expects to collect all principal and interest and the loan has been brought current. Interest received on well collateralized nonaccrual loans is recognized on the cash basis. If the bus loan is not well collateralized, payments are applied to reduce principal.

Consumer loans are placed on nonaccrual upon becoming 90 days past due or sooner if, in opinion of management, the full repayment of principal and interest is not expected. On co loans, any payment received on a loan on which the accrual of interest has been suspended applied to reduce principal.

When a loan is placed on nonaccrual, interest accrued during the current accounting perioc reversed and interest accrued in prior periods, if significant, is charged off. Adjustments to principal are made if the collateral related to the loan is deficient.

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Income Taxes
We file a consolidated Federal income tax return, as well as tax returns in several states. U
the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilit measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are recovered or settled. The net deferred tax asset is reviewed at ea reporting period to assess the probability of realization of benefits in future periods and wh valuation allowances are appropriate. The effect on deferred tax assets and liabilities of a c in tax rates is recognized in income in the period that includes the enactment date. A valua allowance is recorded in situations where it is "more likely than not" that a deferred tax as not realizable. Management has reviewed all evidence, both positive and negative, and con that a valuation allowance against the net deferred tax asset is not needed at December 31, The calculation of the income tax provision is complex and requires the use of judgments a estimates in its determination.
Fair Value
Fair value is an exit price, representing the amount that would be received to sell an asset o to transfer a liability in an orderly transaction between market participants. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). A financial instrument’s level within the hier based on the lowest level of input that is significant to the fair value measurement.
The primary financial instruments we carry at fair value are investment securities, interest lock commitments on residential mortgage loans (“IRLCs”), derivative instruments, and re mortgage loans held-for-sale. We also carry certain impaired loans, foreclosed assets and capitalized servicing rights on residential mortgage and SBA loans at fair value.
Investment securities classified as available-for-sale are reported at fair value utilizing Lev inputs. For these securities, we obtain fair value measurements from an independent pricin service. The fair value measurements consider observable data that may include dealer quo market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execut data, market consensus prepayment speeds, credit information and the bond’s terms and conditions, among other things. The investments in our portfolio are generally not quoted o exchange but are actively traded in the secondary institutional markets.
We classify IRLCs on a gross basis within other liabilities or other assets. The fair value o commitments, while based on interest rates observable in the market, is highly dependent o ultimate closing of the loans. These “pull-through” rates are based on both our historical d the current interest rate environment and reflect our best estimate of the likelihood that a commitment will ultimately result in a closed loan. The loan servicing value is also include the fair value of the IRLCs.
Derivative instruments are primarily transacted in the secondary mortgage and institutiona markets and priced with observable market assumptions at a mid-market valuation point, v appropriate valuation adjustments for liquidity and credit risk. For purposes of valuation adjustments to our derivative positions, we evaluate liquidity premiums that may be deman market participants, as well as the credit risk of our counterparties and our own credit.
The credit risk associated with the underlying cash flows of instruments carried at fair valu a consideration in estimating the fair value of certain financial instruments. Credit risk was considered in the valuation through a variety of inputs, as applicable, including, the actual and loss severity of the collateral, and level of subordination. The assumptions used to esti credit risk incorporated relevant information that a market participant would likely use in v

an instrument.

The fair value of residential mortgage loans held-for-sale is based on what secondary mark
currently offering for portfolios with similar characteristics. As such, we classify these loa
Level 2.

SBA and indirect loans held-for-sale are measured at the lower of cost or fair value. Fair v
based on recent trades for similar loan pools as well as offering prices for similar assets pr
by buyers in the secondary market. If the cost of a loan is determined to be less than the fa
of similar loans, the impairment is recorded by the establishment of a reserve to reduce the
of the loan.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at th
of cost or fair value. Fair value is measured based on the value of the collateral securing th
loans and is classified as a Level 3 in the fair value hierarchy. Collateral may include real
or business assets, including equipment, inventory and accounts receivable. The value of r
estate collateral is determined based on an appraisal by qualified licensed appraisers. If
significant, the value of business equipment is based on an appraisal by qualified licensed
appraisers; otherwise, the equipment's net book value on the business' financial statement
basis for the value of business equipment. Inventory and accounts receivable collateral are
based on independent field examiner review or aging reports. Appraised and reported valu
be discounted based on management's historical knowledge, changes in market conditions
the time of the valuation, and management's expertise and knowledge of the client and cli
business. Impaired loans are evaluated on at least a quarterly basis for additional impairme
adjusted accordingly.

Foreclosed assets are adjusted to fair value upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value less estimated selling costs. Fair value is based upon independent market prices, appraised valu the collateral or management's estimation of the value of the collateral. When the fair valu collateral is based on an observable market price or a current appraised value, we record th foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appra value and there is no observable market price, we record the foreclosed asset as nonrecurri Level 3. Appraised and reported values may be discounted based on management's histori knowledge, changes in market conditions from the time of the valuation, and management expertise and knowledge of the client and client's business.

Capitalized servicing rights on SBA and residential mortgage loans are initially recorded a value when the underlying loans are sold with servicing retained. These assets are then am in proportion to and over the period of estimated net servicing income. On a monthly basis servicing assets are assessed for impairment based on fair value. Management determines value by stratifying the servicing portfolio into homogeneous subsets with unique behavio characteristics, converting those characteristics into income and expense streams, adjusting streams for prepayments, present valuing the adjusted streams, and combining the present into a total. If the cost basis of any loan stratification tranche is higher than the present val the tranche, an impairment is recorded.

Results of Operations - 2014 Compared to 2013

Net Income

Our net income for the year ended December 31, 2014, was $30.0 million or $1.41 and $1 basic and fully diluted earnings per share, respectively. Net income for the year ended December 31, 2013, was $27.6 million or $1.35 and $1.21 basic and fully diluted earnings share, respectively. The $2.4 million increase in net income in 2014 compared to 2013 wa primarily to an increase in interest income of $4.1 million, a decrease in provision expense $4.9 million, and a decrease in interest expense of $2.7 million. Partially offsetting these it was an increase in noninterest expense of $6.4 million. Details of the changes in the variou components of net income are discussed below.

Net Interest Income/Margin

Taxable-equivalent net interest income was $90.8 million in 2014 compared to $84.0 milli 2013, an increase of $6.9 million, or 8.2%. Average interest-earning assets in 2014 increas $164.8 million to $2.5 billion, a 7.0% increase when compared to 2013. Average interest-b liabilities increased $25.9 million to $1.9 billion, a 1.4% increase. The net interest margin increased by 4 basis points to 3.62% in 2014 when compared to 2013. The primary compo of the net interest margin are described below.

Taxable-equivalent interest income had an increase of $4.1 million for 2014 as compared t Although the yield on interest-earning assets in 2014 reflected an 11 basis point decrease a compared to 2013, the resulting decrease in interest income was offset by the additional in income earned during 2014 on the net growth of $164.8 million, or 7.0%, in average interest-earning assets, primarily in our loan portfolio. The average balance of loans outsta in 2014 increased $174.7 million, or 8.3%, to $2.3 billion when compared to 2013 due to t increased number of loan originations and market expansion, net of loan payoffs and probl loan resolutions. However, consistent with changes in market interest rates, the yield on av loans outstanding for 2014 decreased 20 basis points to 4.24% when compared to 2013, pr in the indirect automobile component of the consumer loan portfolio. Average interest-bea deposits held at correspondent banks decreased $14.9 million to $49.2 million to fund loan growth throughout 2014.

Interest expense in 2014 decreased $2.7 million, or 19.6%, to $11.2 million, primarily as th
result of a 15 basis point decrease in the cost of interest-bearing liabilities, net of a $25.9 m
or 1.4%, increase in average interest-bearing liability balances. The increase in average
interest-bearing liabilities for 2014 was primarily used to fund growth in the indirect autom
loan portfolio at various times throughout the year. The reduction in the cost of interest bea
deposits is due to management's strategy of focusing on lower cost core deposits. Average
interest-bearing deposits increased $35.0 million, or 2.1%, to $1.7 billion during 2014 com
to 2013, while average borrowings decreased $9.1 million, or 4.8%, to $180.9 million. The
increase in average total interest-bearing deposits was primarily due to an increase of $73.
million in interest-bearing money market and NOW deposits. The decrease in interest expe
2014 was primarily attributable to the $1.6 million decrease in subordinated debt expense,
result of the Company repaying $21 million of subordinated debt during the third quarter o
In addition to this, interest expense on short-term borrowings had a decrease of $323,000,
have declined year over year.

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The following table sets forth, for the periods indicated, information regarding (i) the total amount of interest income from earning assets and the resultant average yields; (ii) the tota amount of interest expense on interest-bearing liabilities and the resultant average rate; (iii interest income; (iv) net interest spread; and (v) net interest margin. The average balances principally daily averages, and, for loans, include both performing and non-performing ba Interest income on loans includes the effects of discount accretion on PCI loans acquired i FDIC-assisted transactions and net deferred loan origination costs accounted for as yield adjustments.

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Average Balances, Interest and Yields

	For the Years Ended December 31,						
	2014			2013			2012
($ in thousands)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance
Assets							
Interest-earning assets:							
Loans [1]	$2,284,245	$96,830	4.24%	$2,109,575	$93,573	4.44%	$1,931,
Investment securities [1]	175,174	5,141	2.93	170,265	4,249	2.50	201,048
Interest-bearing deposits	49,156	84	0.17	64,032	113	0.18	27,753
Federal funds sold	1,672	1	0.06	1,620	1	0.06	923
Total interest-earning assets	2,510,247	102,056	4.07%	2,345,492	97,936	4.18%	2,161,4
Noninterest-earning assets:							
Cash and due from banks	13,605			13,884			12,692
Allowance for loan losses	(30,363)			(33,512)			(28,699
Premises and equipment	52,666			40,830			33,982
Other real estate	26,327			37,469			37,172
Other assets	143,277			138,982			128,591
Total assets	$2,715,759			$2,543,145			$2,345,
Liabilities and shareholders' equity							
Interest-bearing liabilities:							
Demand and money market	$722,448	$1,889	0.26%	$648,734	$1,806	0.28%	$581,5
Savings	316,439	1,147	0.36	317,845	1,319	0.41	342,80
Time	681,915	6,671	0.98	719,205	7,293	1.01	679,94
Total interest-bearing deposits	1,720,802	9,707	0.56	1,685,784	10,418	0.62	1,604,3
Federal funds purchased	16,947	116	0.68	23,071	174	0.75	29,003
Securities sold under agreements to repurchase	15,064	23	0.15	15,470	21	0.14	13,007
Other short-term borrowings	100,529	259	0.26	82,446	582	0.71	78,769
Subordinated debt	46,393	1,113	2.40	60,926	2,733	4.49	67,527
Long-term debt	1,973	8	0.41	8,082	33	0.41	18,729
	1,901,708	11,226	0.59%	1,875,779	13,961	0.74%	1,811,3

Total interest-bearing liabilities							
Noninterest-bearing liabilities and shareholders' equity:							
Demand deposits	539,023			417,681			329,150
Other liabilities	26,245			23,228			26,151
Shareholders' equity	248,783			226,457			178,517
Total liabilities and shareholders' equity	$2,715,759			$2,543,145			$2,345,
Net interest income/spread		$90,830	3.48 %		$83,975	3.44 %	
Net interest rate margin			3.62 %			3.58 %	

(1) Interest income includes the effects of taxable-equivalent adjustment using a 35% tax r

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Rate/Volume Analysis

(in thousands)	2014 Compared to 2013 Variance Attributed to[1] Volume	Rate	Net Change	2013 Compared to 2012 Va Attributed to[1] Volume	Rate	Net C
Loans[2]	$7,532	$(4,275)	$3,257	$8,183	$(7,176)	$1,00
Investment securities[2]	72	820	892	(775)	(327)	(1,10
Interest-bearing deposits	(25)	(4)	(29)	58	22	80
Federal funds sold	—	—	—	—	—	—
Total interest-earning assets	$7,579	$(3,459)	$4,120	$7,466	$(7,481)	$(15
Interest-Bearing Deposits:						
Demand and money market	$197	$(114)	$83	$187	$9	$196
Savings	(6)	(166)	(172)	(90)	240	150
Time	(391)	(231)	(622)	458	(1,459)	(1,00
Total interest-bearing deposits	(200)	(511)	(711)	555	(1,210)	(655
Federal funds purchased	(43)	(15)	(58)	(45)	(9)	(54
Securities sold under agreements to repurchase	(1)	3	2	5	(12)	(7
Other short-term borrowings	110	(433)	(323)	48	(516)	(468
Subordinated debt	(549)	(1,071)	(1,620)	(384)	(1,125)	(1,50
Long-term debt	(25)	—	(25)	(172)	(252)	(424
Total interest-bearing liabilities	$(708)	$(2,027)	$(2,735)	$7	$(3,124)	$(3,1

[1] The change in interest due to both rate and volume has been allocated to the component
proportion to the relationship of the dollar amounts of the change.
[2] Reflects fully taxable equivalent adjustments using a Federal tax rate of 35%.

Provision for Loan Losses

Management's policy is to maintain the allowance for loan losses at a level sufficient to ab probable incurred losses inherent in the loan portfolio as of the balance sheet date. The allo is increased by the provision for loan losses and decreased by charge-offs, net of recoverie of amounts due from the FDIC under the loss sharing agreements for our FDIC-assisted transactions.

The provision for loan losses was $531,000 in 2014, $5.4 million in 2013, and $13.4 milli 2012. Net charge-offs were $6.7 million in 2014, compared to $6.9 million in 2013, and $ million in 2012. The decrease in the provision in 2014, compared to 2013 was primarily du improved credit quality in the loan portfolio and a decrease in net charge-offs. Average nonperforming assets were $62.0 million for the year ended December 31, 2014, compare $75.9 million for the same period in 2013, a decrease of $13.9 million or 18.3%.

The allowance for loan losses as a percentage of loans outstanding at the end of 2014, 201 2012 was 1.13%, 1.78% and 1.91%, respectively.

For additional information on asset quality, refer to the following discussions regarding lo credit quality, nonperforming assets, and the allowance for loan losses.

Analysis of the Allowance for Loan Losses

The following table outlines the changes in our allowance for losses during the five-year p
ended December 31, 2014.

($ in thousands)	December 31, 2014	2013	2012	2011	201
Balance at beginning of year	$33,684	$33,982	$27,956	$28,082	$30
Charge-offs:					
Commercial	5,440	3,820	1,080	2,090	1,26
Construction	361	303	3,476	13,494	11,2
Mortgage	180	634	653	804	656
Consumer	4,303	4,993	4,410	5,638	7,08
Covered	766	300	2,630	—	—
Acquired Non-covered	94	30	77	—	—
Total charge-offs	11,144	10,080	12,326	22,026	20,2
Recoveries:					
Commercial	33	425	61	86	28
Construction	2,219	682	678	596	361
Mortgage	76	106	21	44	8
Consumer	1,424	1,757	1,193	849	768
Covered	627	195	—	—	—
Acquired non-covered	59	—	—	—	—
Total recoveries	4,438	3,165	1,953	1,575	1,16
Net charge-offs	6,706	6,915	10,373	20,451	19,1
Provision for loan losses[1]	531	5,440	13,420	20,325	17,1
(Decrease) Increase in FDIC Indemnification Asset	(2,059)	1,177	2,979	—	—
Balance at end of year	$25,450	$33,684	$33,982	$27,956	$28
Allowance for loan losses as a percentage of loans	1.13 %	1.78 %	1.91 %	1.72 %	2.00
Allowance for loan losses as a percentage of loans, excluding covered loans and related allowance	1.12 %	1.65 %	1.88 %	1.81 %	—
Ratio of net charge-offs during period to average loans outstanding, net	0.33 %	0.38 %	0.60 %	1.38 %	1.44

[1] Net of benefit attributable to FDIC indemnification asset

Net recoveries on construction loans increased by $1.5 million during the year ended December 31, 2014 to a net recovery in 2014 of $1.9 million, compared to net recovery of $379,000 in 2013. Net recoveries on construction loans improved during 2014 primarily d recovery of $1.5 million on one relationship during 2014.

Commercial net charge-offs increased $2.0 million during the year ended December 31, 20 from $3.4 million in 2013 compared to $5.4 million in 2014. This increase was primarily t result of a few large loan charge-offs in 2014.

Noninterest Income

The categories of noninterest income, and the dollar and percentage change between the ye ended December 31, 2014 and 2013, are as follows:

($ in thousands)	For the Year Ended December 31, 2014	2013	$ Change	% Cha
Service charges on deposit accounts	$4,438	$4,156	$282	6.8
Other fees and charges	4,349	3,871	478	12.3
Mortgage banking activities	55,781	66,560	(10,779)	(16.
Indirect lending activities	18,457	9,040	9,417	104
SBA lending activities	4,987	3,640	1,347	37.0
Bank owned life insurance	1,673	1,273	400	31.4
Securities gains	—	189	(189)	(100
Other	5,635	8,149	(2,514)	(30.
Total noninterest income	$95,320	$96,878	$(1,558)	(1.6

Noninterest income for 2014 was $95.3 million compared to $96.9 million in 2013, a 1.6% decrease. This decrease was primarily due to a decreases in revenues from mortgage banki other noninterest income, partially offset by increases in indirect lending activities and SB lending activities, as described below.

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Noninterest income from indirect lending activities increased to $18.5 million in 2014, cor
to $9.0 million in 2013, an increase of 104.2%, primarily due to the increased production f
overall increase in auto sales and expansion into new markets and gain on sale of indirect l
sold with servicing retained. Total indirect loans grew from $1.0 billion in 2013 to $1.4 bi
2014. In addition to this Indirect loan sales grew from $392.2 million for the year ended December 31, 2013 to $679.9 million for the year ended December 31, 2014. As a result, t
associated servicing fee income from the indirect servicing portfolio increased $1.6 millio
over year. Also, gain on sales of indirect loans increased by $8.0 million during 2014 to $1
million for the year ended December 31, 2014.

Income from SBA lending activities, including gains from the sale of SBA loans and ancil
fees on SBA loans sold with servicing retained, totaled $5.0 million for the year ended December 31, 2014 as compared to $3.6 million for the year ended December 31, 2013, ar
increase of 37.0% or $1.3 million. This increase occurred primarily due to an increase in production of SBA loans in 2014. Production of SBA loans increased $23.2 million with s
also increasing $15.4 million year over year. Increase in production is attributable to incre
focus on lending to franchises and professional practice companies.

Mortgage banking revenues decreased $10.8 million to $55.8 million in 2014, compared to
million in 2013, a decrease of 16.2%. The decrease was mostly due to a decrease in mortg
loan volume consistent with national trend of declining refinance volume. Mortgage produ
for the year decreased $551.4 million, or 22% year over year. This resulted in a decrease in
amount of residential mortgage loans sold of $665.8 million, or 29.8% year over year. How
the gain on sale of mortgage loans compared to 2013 decreased only 10.1%, or $4.8 millio
over year.

Other noninterest income decreased by $2.5 million during 2014 to $5.6 million, primarily
a reduction in gain on sale of OREO of $1.6 million, as the OREO portfolio continues to d
through the disposition of problem assets. In addition to this, the decrease in noninterest in
was also partially due to an increase of $910,000 in the amortization of the FDIC Indemni
Asset, as expected cash flows on acquired assets continue to improve.

Noninterest Expense

The categories of noninterest expense, and the dollar and percentage change between the y
ended December 31, 2014 and 2013 are as follows:

($ in thousands)	For the Year Ended December 31, 2014	2013	$ Change	% Cha
Salaries and employee benefits	$67,006	$57,645	$9,361	16.
Commissions	19,988	24,676	(4,688)	(19
Net occupancy	12,985	10,342	2,643	25.
Communication	3,897	3,031	866	28.
Other	34,878	36,631	(1,753)	(4.8
Total noninterest expense	$138,754	$132,325	$6,429	4.9

Noninterest expense during 2014 increased $6.4 million, or 4.9%, to $138.8 million when
compared to 2013, primarily due to increases in salaries and employee benefits, and increa
net occupancy expenses, as the number of branches continued to grow in 2014, partially o
a decline in commissions and other expenses.

Salaries and benefits expense increased $9.4 million, or 16.2%, in 2014, compared to 2013
increase was primarily due to the higher salaries associated with the net addition of 148 fu
equivalent employees during 2014, primarily as a result of opening or acquiring the twelve
branches during the year as well as additional mortgage and SBA locations in 2014 and th
associated administrative support functions.

Commissions decreased by $4.7 million, or 19.0% for the year ended December 31, 2014
$20.0 million as compared to $24.7 million for the year ended December 31, 2013. This d
occurred primarily as a result of the decrease in production in the mortgage division durin
as the commissions are a variable expense that is calculated as a percentage of the loan
production in the division.

Communication and net occupancy expenses increased by $3.5 million for the year ended
December 31, 2014 to $16.9 million as compared to $13.4 million for the year ended
December 31, 2013. The increase in net occupancy expense is primarily due to increases i
expense and depreciation expense year over year. The increase in communication expense
primarily attributable to increases in telephone and postage expenses over the course of th
Both of these increases are in relation to increase in number of locations.

Other operating expenses were $34.9 million for the year ended December 31, 2014, a $1.
million, or 4.8%, decrease compared to $36.6 million for the year ended December 31, 20
result of an overall decrease in ORE expenses, including a reduction of $1.9 million in
writedowns of ORE during 2014, as asset quality continues to improve.

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Income Tax Expense
The provision for income taxes expense for 2014 and 2013 was $16.4 million and $15.1 m
respectively, with effective tax rates of 35.4% and 35.3%, respectively.

Results of Operations - 2013 Compared to 2012
Net Income
Our net income for the year ended December 31, 2013, was $27.6 million or $1.35 and $1
basic and fully diluted earnings per share, respectively. Net income for the year ended December 31, 2012, was $25.3 million or $1.47 and $1.32 basic and fully diluted earnings share, respectively. The $2.3 million increase in net income in 2013 compared to 2012 wa primarily to an increase in noninterest income of $8.9 million, a decrease in provision exp $8.0 million, and a decrease in interest expense of $3.1 million. Partially offsetting these it was an increase in noninterest expense of $16.9 million. Details of the changes in the vari components of net income are discussed below.
Net Interest Income/Margin
Taxable-equivalent net interest income was $84.0 million in 2013 compared to $80.9 milli 2012, an increase of $3.1 million, or 3.8%. Average interest-earning assets in 2013 increas $184.1 million to $2.3 billion, an 8.5% increase when compared to 2012. Average interest-bearing liabilities increased $64.4 million to $1.9 billion, a 3.6% increase. The net interest margin decreased by 16 basis points to 3.58% in 2013 when compared to 2012. Th primary components of the net interest margin are described below.
Taxable-equivalent interest income was relatively flat for 2013 at $97.9 million as compar $98.0 million for 2012. Although the yield on interest-earning assets in 2013 reflected a 35 point decrease as compared to 2012, the resulting decrease in interest income was offset by additional interest income earned during 2013 on the net growth of $184.1 million, or 8.5% average interest-earning assets, primarily in our loan portfolio. The average balance of loa outstanding in 2013 increased $177.9 million, or 9.2%, to $2.1 billion when compared to 2 due to the increased number of loan originations and market expansion, net of loan payoff problem loan resolutions. However, consistent with changes in market interest rates, the yi average loans outstanding for 2013 decreased 35 basis points to 4.4% when compared to 2 primarily in the indirect automobile component of the consumer loan portfolio. During 20 average balance of investment securities decreased $30.8 million as investments that were or matured and principal cash flows from existing investments were largely invested into l used to pay off borrowings and not reinvested into investments. Average interest-bearing c held at correspondent banks increased $36.3 million to $64.0 million to fund loan growth throughout 2013.
Interest expense in 2013 decreased $3.1 million, or 18.3%, to $14.0 million, primarily as t result of a 20 basis point decrease in the cost of interest-bearing liabilities, net of a $64.4 n or 3.6%, increase in average interest-bearing liability balances. The increase in average interest-bearing liabilities for 2013 was primarily used to fund growth in the residential mo loans held-for-sale portfolio at various times throughout the year. The reduction in the cos interest bearing deposits is due to management's strategy of focusing on lower cost core de Average total interest-bearing deposits increased $81.5 million, or 5.1%, to $1.7 billion du 2013 compared to 2012, while average borrowings decreased $17.0 million, or 8.2%, to $1 million. The increase in average total interest-bearing deposits was primarily due to an inc $67.2 million in interest-bearing money market and NOW deposits.
Provision for Loan Losses
The provision for loan losses was $5.4 million in 2013, $13.4 million in 2012, and $20.3 million in 2011. Net charge-offs were $6.9 million in 2013, compared to $10.4 million in 2 and $20.5 million in 2011. The decrease in the provision in 2013, compared to 2012 was

primarily due to improved credit quality in the loan portfolio and a decrease in net charge-
Average nonperforming assets were $75.9 million for the year ended December 31, 2013,
compared to $88.8 million for the same period in 2012, a decrease of $12.9 million or 14.6
Noninterest Income
The categories of noninterest income, and the dollar and percentage change between the y
ended December 31, 2013 and 2012, are as follows:

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($ in thousands)	For the Year Ended December 31, 2013	2012	$ Change	% Cha
Service charges on deposit accounts	$4,156	$4,686	$(530)	(11.
Other fees and charges	3,871	3,360	511	15.2
Mortgage banking activities	66,560	56,332	10,228	18.2
Indirect lending activities	9,040	6,414	2,626	40.9
SBA lending activities	3,640	4,944	(1,304)	(26.
Bank owned life insurance	1,273	1,307	(34)	(2.6
Securities gains	189	307	(118)	(38.
Other	8,149	10,611	(2,462)	(23.
Total noninterest income	$96,878	$87,961	$8,917	10.1

Noninterest income for 2013 was $96.9 million compared to $88.0 million in 2012, a 10.1 increase. This increase was primarily due to an increase in revenues from mortgage bankin indirect lending activities, partially offset by decreases in SBA lending and other nonintere income, as described below.

Mortgage banking revenues increased $10.2 million to $66.6 million in 2013, compared to million in 2012, an increase of 18.2%. The increase was due to an increase of $219.4 milli funded loan volume over 2012 as well as we expanded our residential mortgage lending ac into the state of Maryland and the opening of additional offices in Alabama and Georgia.

Noninterest income from indirect lending activities increased to $9.0 million in 2013, com to $6.4 million in 2012, an increase of 40.9%, primarily due to the increased production an indirect loans sold with servicing retained. As a result, the associated servicing fee income the indirect servicing portfolio increased $910,000 to $2.3 million for the year ended Dece 31, 2013. Also, gain on sales of indirect loans increased by $2.1 million during 2013 to $5 million for the year ended December 31, 2013.

Income from SBA lending activities, including gains from the sale of SBA loans and ancil fees on SBA loans sold with servicing retained, totaled $3.6 million for the year ended De 31, 2013 as compared to $4.9 million for the year ended December 31, 2012, a decrease of or $1.3 million. The decrease occurred primarily due to the impairment to SBA loans servi rights assets of $1.9 million recorded during 2013 as compared to $126,000 in 2012. The impairment was recorded due to changes in the assumptions used to measure the fair value SBA servicing rights as of December 31, 2013 including an increase in the prepayment sp 2013 as compared to 2012, an increase in the rate used to discount the future cash flows fr underlying loans serviced and a decrease in the approximate weighted average servicing fe basis points for 2013 compared to 2012.

Other noninterest income decreased by $2.5 million during 2013 to $8.1 million for the ye ended December 31, 2013, primarily due to a $4.2 million gain recorded during 2012 on th FDIC-assisted acquisition which did not recur during 2013. This decrease was partially off an increase in the gain on sale of ORE of $1.4 million during 2013 to $4.9 million for the y ended December 31, 2013 as compared to $3.5 million recorded for the year ended Decem 2012.

Noninterest Expense

The categories of noninterest expense, and the dollar and percentage change between the y ended December 31, 2013 and 2012 are as follows:

($ in thousands)	For the Year Ended December 31, 2013	2012	$ Change	% Ch
Salaries and employee benefits	$57,645	$47,832	$9,813	20.
Commissions	24,676	21,817	2,859	13.

Net occupancy	10,342	9,253	1,089	11.
Communication	3,031	2,502	529	21.
Other	36,631	33,993	2,638	7.8
Total noninterest expense	$132,325	$115,397	$16,928	14.

Noninterest expense during 2013 increased $16.9 million, or 14.7%, to $132.3 million wh
compared to 2012, primarily due to increases in salaries and employee benefits and comm
related to growth in the mortgage division, increases in communication expenses and othe
operating expenses, including increases in professional and other services.
Salaries and benefits expense increased $9.8 million, or 20.5%, in 2013, compared to 201
increase was primarily due to the higher salaries associated with the net addition of 116 fu
equivalent employees during 2013, primarily in the mortgage division and associated
administrative support functions.
Commissions increased by $2.9 million, or 13.1% for the year ended December 31, 2013 t
million as compared to $21.8 million for the year ended December 31, 2012. This increase
occurred primarily as a result of the increase in production in

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the mortgage division during 2013 as the commissions are a variable expense that is calcul
a percentage of the loan production in the division.

Communication and net occupancy expenses increased by $1.6 million for the year ended December 31, 2013 to $13.4 million as compared to $11.8 million for the year ended Dece 31, 2012. The increases in these expense categories occurred due to the opening of additio offices in the retail banking and mortgage lending divisions during 2013.

Other operating expenses were $36.6 million for the year ended December 31, 2013, a $2. million, or 7.8%, increase compared to $34.0 million for the year ended December 31, 201 result of higher loan-related expenses due to increases during 2013 in mortgage lending ac and in the balance of the portfolio of loans serviced sold with servicing retained.

Income Tax Expense

The provision for income taxes expense for 2013 and 2012 was $15.1 million and $14.3 m respectively, with effective tax rates of 35.3% and 36.1%, respectively.

Financial Condition

We manage our assets and liabilities to maximize long-term earnings opportunities while maintaining the integrity of our financial position and the quality of earnings. To accompli objective, management strives for efficient management of interest rate risk and liquidity r

The primary objectives of interest-sensitivity management are to minimize the effect of int rate changes on the net interest margin and to manage the exposure to risk while maintaini interest income at acceptable levels. Liquidity is provided by our attempt to carefully struc our balance sheet as well as through both unsecured and secured lines of credit with other financial institutions, the Federal Home Loan Bank of Atlanta (the “FHLB”), and the Fede Reserve Bank of Atlanta (the “FRB”).

The Asset Liability Management Committee (“ALCO”), which is comprised of various se executives, meets regularly to review our interest rate sensitivity positions and balance she monitor our capital position and ratios; review our product offerings and pricing, including fees and charges; monitor our funding needs and sources; and review cash flows to assess current and projected liquidity.

Market Risk and Interest Rate Sensitivity

Our primary market risk exposures are interest rate risk, credit risk and liquidity risk. We l little or no risk related to trading accounts, commodities, or foreign exchange.

Interest rate risk, which encompasses price risk, is the exposure of our financial condition earnings ability to withstand adverse movements in interest rates. Accepting this risk can b important source of profitability and shareholder value; however, excessive levels of inter risk can pose a significant threat to assets, earnings, and capital. Accordingly, effective ris management that maintains interest rate risk at prudent levels is essential to our success.

ALCO monitors and considers methods of managing the rate and sensitivity repricing characteristics of the balance sheet components consistent with maintaining acceptable lev changes in portfolio values and net interest income with changes in interest rates. The prin purposes of ALCO are to manage our interest rate risk consistent with earnings and liquidi effectively invest our capital, and to preserve the value created by our core business operat addition, our exposure to interest rate risk is compared to established tolerances on at least quarterly basis by our Board of Directors.

Evaluating our exposure to changes in interest rates includes assessing both the adequacy process we use to control interest rate risk and our quantitative levels of exposure. When assessing the interest rate risk management process, we seek to ensure that appropriate pol procedures, management information systems, and internal controls are in place to maintai interest rate risk at prudent levels with consistency and continuity. Evaluating the quantitat

level of interest rate risk exposure requires us to assess the existing and potential future eff
changes in interest rates on our consolidated financial condition, including capital adequac
earnings, liquidity, and, where appropriate, asset quality.

We utilize a statistical research firm specializing in the banking industry to provide variou
quarterly reports, as well as other special requests, related to our current and projected fina
performance, including rate shock analyses. Data sources include quarterly FDIC Call Rep
and the Federal Reserve Y-9C, management assumptions, statistical loan portfolio informa
industry norms and financial markets data. For purposes of evaluating rate shock, rate char
induced sensitivity tables are used in determining the timing and volume of repayment,
prepayment, and early withdrawals. Additionally, we run interest rate risk simulations usin
in-house model developed specifically to meet both management's needs for effective inter
risk monitoring, as well as reporting for all regulatory guidance. Data sources for this mod
primarily comes from the Bank's databases and assumptions are primarily derived from cu
and historical Bank data.

The Company regularly reviews interest sensitivity and the economic value of equity unde
various interest rate scenarios. Interest rate sensitivity analyses quantify the effects of vario
interest rate scenarios on projected net interest income and net income over the next 12 mo
and 24 month periods. The model measures the impact on net interest income relative to a

case scenario of hypothetical fluctuations in interest rates over the next 12 months. These simulations incorporate assumptions regarding balance sheet growth and mix, pricing and the repricing and the maturity characteristics of the existing and projected balance sheet. In ad management reviews the impact of various yield curve scenarios on earnings and cash flov policy states that an immediate and sustained 200 basis point increase or decrease in intere should not negatively impact net interest income by more than 10%. Economic value of eq analyses measure the risk of a change in earnings due to changes in interest rates.

The following table summarizes the results of a 12-month forecasting period of an immedi sustained increase or decrease of 100 and 200 basis points for market interest rates as of December 31, 2014.

Basis Point Change in Interest Rates	% Change in Projected Net Interest Inc
+200	6.50
+100	3.54
-100	-9.80
-200	-23.31

The rate shock analysis at December 31, 2014, indicated that all of the scenarios except th basis point decrease would fall within policy parameters and approved tolerances for net in income. Given the current relatively low level of market interest rates, an immediate and sustained decrease of 200 basis points is highly doubtful.

Rate shock analysis provides only a limited, point in time view of interest rate sensitivity. actual impact of interest rate changes upon earnings and net present value may differ from implied by any static rate shock. In addition, net interest income and net present value und various future interest rate scenarios are affected by multiple other factors not embodied in static rate shock, including competition, changes in the shape of the Treasury yield curve, divergent movement among various interest rate indices, and the speed with which interes change.

The major elements used to manage interest rate risk include the mix of fixed and variable assets and liabilities and the maturity and repricing patterns of these assets and liabilities. I policy not to invest in derivatives outside of our mortgage hedging process. We perform a quarterly review of assets and liabilities that reprice and the time bands within which the repricing occurs. Balances generally are reported in the time band that corresponds to the instrument’s next repricing date or contractual maturity, whichever occurs first. However, rate indirect automobile loans, mortgage backed securities, and residential mortgage loans primarily included based on scheduled payments with a prepayment factor incorporated. T such analyses, we monitor and manage our interest sensitivity to minimize the negative eff changing interest rates.

Liquidity

Liquidity refers to our ability to generate sufficient cash to meet our financial obligations, arise primarily from the withdrawal of deposits, extension of credit, and payment of opera expenses. The principal demands for liquidity are new loans, anticipated fundings under cr commitments to customers, and deposit withdrawals. Our liabilities provide liquidity on a day-to-day basis. Daily liquidity needs are met from deposit levels or from our use of fede funds purchased, securities sold under agreements to repurchase and other short-term borr We engage in routine activities to retain deposits intended to enhance our liquidity positio These routine activities include various measures, such as the following:

- Emphasizing relationship banking to new and existing customers, where borrowers encouraged and normally expected to maintain deposit accounts with us,

- Pricing deposits, including certificates of deposit, at rate levels that will sustain balances a that will enhance our asset liability management and net interest margin requirements, and
- Continually working to identify and introduce new products that will attract customers or enhance our appeal as a primary provider of financial services.

In addition to monitoring our interest rate sensitivity, ALCO also manages our liquidity ris employ our funds in a manner to provide liquidity from both assets and liabilities sufficien meet our cash needs. Management seeks to maintain a stable net liquidity position while optimizing operating results, as reflected in net interest income, the net yield on earning as and the cost of interest-bearing liabilities. ALCO meets regularly to review the current and projected net liquidity positions and to review actions taken by management to achieve thi liquidity objective. While the desired level of liquidity will vary depending on a number o factors, one of the primary goals of ALCO is to maintain a sufficient level of liquidity in b normal operating conditions and in periods of market or industry stress.

Our ongoing philosophy is to remain in a liquid position as reflected by such indicators as composition of our earning assets, which typically includes some level of federal funds sol balances at the FRB, repurchase agreements, and/or other short-term investments; asset qu being in a well-capitalized position; and having profitable operating results. Cyclical and c

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economic trends and conditions can disrupt the Bank's desired liquidity position at any tim
Under such circumstances, our federal funds sold position, or balances at the FRB, if any,
as the primary sources of immediate liquidity.
In addition to cash and cash equivalents, our investment securities available-for-sale, and t
availability of brokered deposits, as of December 31, 2014, we had the following sources c
available unused liquidity:

(in thousands)	Decen 2014
FRB lines	$ 240,
FHLB advances	104,2
Unpledged securities	49,26
Unsecured federal funds lines	45,00
Total sources of available unused liquidity	$ 438,

We believe that our liquidity position continues to be adequate and readily available. Our
contingency funding plan describes several potential stages based on liquidity levels. Our
of directors reviews liquidity benchmarks quarterly. Also, we review on at least an annual
our liquidity position and our contingency funding plans with our principal banking regula
also maintain various wholesale sources of funding and our interest cost would vary based
range of interest rates charged.
The Company has limited liquidity, and it relies primarily on interest and dividends from c
subsidiaries equity, the debt and equity markets, interest income, management fees, and di
from the Bank as sources of liquidity. Interest and dividends from subsidiaries ordinarily p
a source of liquidity to a bank holding company. The Bank pays interest to the Company c
Bank's subordinated debt and, when declared, cash dividends on its preferred stock and co
stock. Under the regulations of the GDBF, bank dividends may not exceed 50% of the pric
net earnings without approval from the GDBF. If dividends received from the Bank were r
or eliminated, our liquidity could be adversely affected.

Contractual Obligations and Other Commitments
The following schedule provides a summary of our financial commitments to make future
payments, primarily to fund loan and other credit obligations, long-term debt, and rental
commitments primarily for the lease of various facilities housing our business developmer
executive administration and operational support functions as of December 31, 2014. Loar
commitments, lines of credit, and letters of credit are presented at contractual amounts; ho
since many of these commitments are "revolving" commitments as discussed below and m
expected to expire unused or partially used, the total amount of these commitments does n
necessarily reflect future cash requirements. Payments for borrowings do not include intere
Payments related to leases are based on actual payments specified in the underlying contra

	Commitment Maturity or Payment Due by Perio				
(in thousands)	1 Year or Less	More Than 1 Year but Less Than 3 Years	3 Years or More but Less Than 5 Years	5 Years or More	To
Commercial real estate, construction and land development	$65,269	$ 5,188	$—	$—	$7
Commercial	73,644	22,692	18,131	10,338	12
SBA	6,430	—	—	—	6,4
Home equity	6,070	10,093	9,168	31,374	56
Residential mortgage loans	147,068	837	308	741	14

Lines of credit	609	3,214	488	1,016	5,3
Standby letters of credit and bankers acceptances	1,586	—	—	—	1,5
Total loan commitments[1]	300,676	42,024	28,095	43,469	41
Other borrowings[2]	291,087	—	—	—	29
Subordinated debt[3]	—	—	—	46,393	46
Rental commitments[4]	4,442	8,290	6,018	6,661	25
Purchase obligations[5]	4,766	4,720	3,181	690	13
Total commitments and long-term borrowings	$600,971	$55,034	$37,294	$97,213	$7

(1) Financial commitments include both secured and unsecured obligations to fund. Certai residential construction and acquisition and development commitments relate to "revol commitments whereby payments are received as individual homes or parcels are sold; therefore, the outstanding balances at any one-time will be less than the total commitm Construction loan commitments in excess of one year have provisions to convert to ter at the end of the construction period.

(2) All borrowings are collateralized with investment grade securities or with pledged real loans.

(3) Subordinated debt is comprised of three trust preferred security issuances. We ha obligations related to the trust preferred security holders other than to remit peri interest payments and to remit principal and interest due at maturity. Each trust preferred security provides us with the opportunity to prepay the securities at sp dates from inception at par after designated periods for all issues.

(4) Leases and other rental agreements typically have renewal options either at predetermi rates or market rates on renewal.

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(5) Purchase obligations include significant contractual obligations under legally enforceab contracts with contract terms that are both fixed and determinable with initial terms gre than one year. The majority of these amounts are primarily for services, including core processing systems and telecommunications maintenance.

On December 23, 2014, the Company entered into Salary Continuation Agreements with c of its Executives. The agreements are effective January 1, 2015 and provide for either mon payments or a lump sum benefit payable upon retirement of the Executive. The agreement subject to vesting and forfeiture provisions. On the same date, the Company revised split-d agreements with certain of its Executives. The agreements were filed as an exhibit to Form on December 24, 2014.

Off-Balance Sheet Arrangements

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers, and to reduce our own exposure to fluctuations in interest rates. These financial instruments, which include commitments to e credit and letters of credit, involve to varying degrees elements of credit and interest rate r excess of the amount recognized in the consolidated financial statements. The contract or n amounts of these instruments reflect the extent of involvement we have in particular classe financial instruments.

Our exposure to credit loss, in the event of nonperformance by customers for commitment extend credit and letters of credit, is represented by the contractual or notional amount of t instruments. We use the same credit policies in making commitments and conditional obli as we do for recorded loans. Loan commitments and other off-balance sheet exposures are evaluated by the Credit Review department quarterly and reserves are provided for risk as deemed appropriate.

Commitments to extend credit are agreements to lend to customers as long as there is no v of any condition established in the agreement. Substantially all of our commitments to exte credit are contingent upon customers maintaining specific credit standards at the time of lo funding. We minimize our exposure to loss under these commitments by subjecting them t approval and monitoring procedures. Thus, we will deny funding a commitment if the borr financial condition deteriorates during the commitment period, such that the customer no l meets the pre-established conditions of lending. Commitments generally have fixed expira dates or other termination clauses and may require payment of a fee. We evaluate each cus creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed nec upon extension of credit, is based on management's credit evaluation of the borrower. Col held varies, but may include accounts receivable, inventory, property, plant and equipment income-producing commercial properties.

Standby and import letters of credit are commitments issued by us to guarantee the perfor of a customer to a third party. The credit risk involved in issuing letters of credit is essenti same as that involved in extending loans or lines of credit to customers. We hold collateral supporting those commitments as deemed necessary.

Loans

Total loans, which includes loans held for investment and loans held-for-sale, at Decembe 2014 increased by $541.8 million or 26.0% over December 31, 2013. The following table summarizes total loans by loan type.

	December 31,				
(in thousands)	2014	2013	2012	2011	2010
Loans held for investment:					
Commercial	$524,145	$530,978	$509,243	$442,959	$384
SBA	134,766	134,824	121,428	106,381	94,28
Construction	123,994	101,698	89,924	97,710	115,2
Indirect automobile	1,219,232	975,223	930,232	836,845	695,7
Installment	13,372	15,362	18,774	20,330	20,43
Residential mortgage	158,348	60,928	37,785	50,312	34,36
Home equity lines of credit	79,449	74,024	69,645	69,334	59,09
Loans	2,253,306	1,893,037	1,777,031	1,623,871	1,403
Allowance for loan losses	(25,450)	(33,684)	(33,982)	(27,956)	(28,0
Loans, net of allowance for loan losses	$2,227,856	$1,859,353	$1,743,049	$1,595,915	$1,37
Total loans:					
Loans	$2,253,306	$1,893,037	$1,777,031	$1,623,871	$1,40
Loans held-for-sale:					
Residential mortgage	181,424	127,850	253,108	90,907	155,0
SBA	12,511	9,516	20,986	12,942	24,86
Indirect automobile	175,000	50,000	30,000	30,000	30,00
Total loans held-for-sale	368,935	187,366	304,094	133,849	209,8
Total loans	$2,622,241	$2,080,403	$2,081,125	$1,757,720	$1,6

Loans held for investment at December 31, 2014 grew to $2.3 billion, an increase of $360. million or 19.0% over December 31, 2013. New product offerings within residential mortg new loan production offices, expansion into new markets, and an overall increase in autom sales over the prior year were the main drivers of the growth in indirect and residential mo loans. Indirect automobile loans increased by $244.0 million or 25.0% and residential mor loans increased by $97.4 million or 159.9% over December 31, 2013. Construction loans increased by $22.3 million or 21.9% over December 31, 2013 as single family housing per continued to grow in our market areas. Growth in commercial loans was offset by continue resolution of acquired loans.

Loans held-for-sale at December 31, 2014 increased by $181.6 million, or 96.9% over December 31, 2013. This increase was primarily attributable to growth in the indirect auto portfolio of $125.0 million or 250.0% due to an increase in production primarily as a resul overall increase in auto sales and expanding into new markets. The residential mortgage po increased by $53.6 million or 41.9% as a result of timing of loan sales.

The following table summarizes the scheduled contractual maturity of loans held for inves at December 31, 2014. Demand loans, loans having no stated repayment schedule or matu and overdraft loans are reported as being due within one year.

	December 31, 2014			
(in thousands)	One Year or Less	After One Year Through Five Years	Over Five Years	Total
Commercial	$200,989	$240,822	$82,334	$524
SBA	14	2,766	131,986	134,7
Construction	118,787	5,207	—	123,9
Indirect automobile	36,451	569,172	613,609	1,219
Installment	5,469	7,448	455	13,37

Residential mortgage	15,787	1,038	141,523	158,3
Home equity lines of credit	21,104	21,516	36,829	79,44
Total loans	$398,601	$847,969	$1,006,736	$2,25

The following table summarizes loans held for investment at December 31, 2014 with mat dates after one year and their sensitivity to interest rate changes.

(in thousands)	Decem 2014
Fixed interest rates	$ 1,47
Floating or adjustable interest rates	382,8
Total	$ 1,85

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Credit Quality

Credit quality risk in the loan portfolio provides our highest degree of risk. We manage an control risk in the loan portfolio through adherence to standards established by the Board o Directors and senior management, combined with a commitment to producing quality asse monitoring loan performance, developing profitable relationships, and meeting the strategi quality and growth targets. Our credit policies establish underwriting standards, place limi exposures, which include concentrations and commitments, and set other limits or standar deemed necessary and prudent. Also included in the policy, primarily determined by the a and type of loan, are various approval levels, ranging from the branch or department level those that are more centralized.

We maintain a diversified portfolio intended to spread risk and reduce exposure to econom downturns, which may occur in different segments of the economy or in particular industri Industry and loan type diversification is reviewed at least quarterly. Management has take numerous steps to reduce credit risk in the loan portfolio and to strengthen the credit risk management team and processes. In addition, credit policies are continually reviewed and as necessary. Experienced managers are in place, strengthening lending areas and Credit Administration.

The provision for loan losses for the year ended December 31, 2014, decreased to $531,00 compared to $5.4 million for the year ended December 31, 2013, primarily due to a decrea net charge-offs and improvements in expected cash flows on acquired loans. Net charge-o 2014 decreased slightly to $6.7 million compared to $6.9 million during 2013, largely due increase in net construction recoveries. This increase was primarily a result of a $1.5 milli recovery on one relationship in 2014. In addition, charge-offs for 2014 included $1.2 milli relating to one commercial relationship which was carried as a specific reserve at Decemb 2013. The provision for acquired loans decreased $1.1 million in 2014 compared to 2013. decrease is a function of the continued improvement in market conditions as well as impro cash flows on acquired loans and favorable resolution of acquired assets.

The Credit Review Department ("Credit Review") regularly reports to senior management Loan and Discount Committee of the Board regarding the credit quality of the loan portfol well as trends in the portfolio and the adequacy of the allowance for loan losses. Credit Re monitors loan concentrations, production, loan growth, as well as loan quality, and indepe from the lending departments, reviews risk ratings and tests credits approved for adherenc lending standards. Finally, Credit Review also performs ongoing, independent reviews of management process and adequacy of loan documentation. The results of its reviews are r to the Loan and Discount Committee of the Board. The consumer collection function is centralized and automated to ensure timely collection of accounts and consistent managem risks associated with delinquent accounts.

Nonperforming Assets

Nonperforming assets consist of nonaccrual loans, troubled debt restructured loans, repossessions, and other real estate. Nonaccrual loans are loans on which the interest accru have been discontinued when it appears that future collection of principal or interest accor the contractual terms may be doubtful. Troubled debt restructured loans are those loans wh terms have been modified, because of economic or legal reasons related to the debtors' fin difficulties and provide a concession to the borrower such as, a reduction in principal, cha terms, or modification of interest rates to below market levels. The Bank had $21.0 millio troubled debt restructured loans at December 31, 2014, of which $16.6 million were accru loans and $4.4 million are on nonaccrual and included in nonperforming assets in the tabl Repossessions include vehicles and other personal property that have been repossessed as of payment defaults.

December 31,

($ in thousands)	2014	2013	2012	2011	2010
Nonaccrual loans	$34,856	$40,531	$41,487	$60,413	$76,
Loans past due 90 days or more and still accruing	827	—	—	116	—
Repossessions	1,183	1,219	1,625	1,423	1,11
Other real estate - non-covered	14,983	24,791	28,975	21,058	20,5
Other real estate - covered	7,581	6,191	10,781	9,468	—
Total nonperforming assets	$59,430	$72,732	$82,868	$92,478	$98,
Ratio of loans past due 90 days or more and still accruing to total loans	0.04 %	— %	— %	0.01 %	—
Ratio of nonperforming assets to total loans, repossessions and ORE	2.61 %	3.78 %	4.56 %	5.59 %	6.89

The decrease in nonperforming assets from December 31, 2013, to December 31, 2014, pr
resulted from a decrease in nonaccrual loans and non-covered ORE. Our noncovered nonperforming assets decreased $13.3 million or 18.3%.

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Management believes it has been proactive in charging down and charging off these nonperforming assets as appropriate. Management's assessment of the overall loan portfol loan quality and performance have improved in recent years. Management is being aggress evaluating credit relationships and proactive in addressing problems.

When a loan is classified as nonaccrual, to the extent collection is in question, previously a interest is reversed and interest income is reduced by the interest accrued in the current yea any portion of the accrued interest was accrued in a previous period, accrued interest is rec and a charge for that amount is made to the allowance for loan losses. For 2014, the gross of interest income that would have been recorded on nonaccrual loans, if all such loans had accruing interest at the original contract rate, was approximately $1.5 million compared to million and $2.1 million during 2013 and 2012, respectively. For additional information on nonaccrual loans see "Critical Accounting Policies—Allowance for Loan Losses."

Allowance for Loan Losses

As discussed in "Critical Accounting Policies—Allowance for Loan Losses," the allowanc losses is established and maintained through provisions charged to operations. Such provis are based on management's evaluation of the loan portfolio including current economic conditions, loan portfolio concentrations, past loan loss experience, adequacy of underlyin collateral, and such other factors which, in management's judgment, deserve consideration estimating loan losses. Loans are charged off when, in the opinion of management, such lo deemed to be uncollectable. Subsequently, recoveries are added to the allowance.

For all loan categories, historical loan loss experience, adjusted for changes in the risk characteristics of each loan category, current trends, and other factors, is used to determine level of allowance required. Additional amounts are based on the probable losses of indivi impaired loans and the effect of economic conditions on both individual loans and loan categories. Since the provision is based on estimates and subjective judgment, it is not nec indicative of the specific amounts of losses that may ultimately occur.

The allowance for loan losses for the homogeneous pools is based on historical net charge rates adjusted for current changes in these trends. Nonperforming commercial loans with outstanding balances exceeding $50,000, as well as certain other performing loans with gr than normal credit risk characteristics, are not treated as homogeneous pools and are instea individually reviewed for a specific allocation. The specific allowance for these individual reviewed loans is based on a specific loan impairment analysis.

The unallocated portion of the allowance reflects a margin for the imprecision inherent in estimates of the range of the probable credit losses.

At December 31, 2014, the allowance for loan losses was $25.5 million, or 1.13% of loans compared to $33.7 million, or 1.78% of loans, at December 31, 2013. Net charge-offs as a of average loans outstanding improved slightly from 0.33% in 2014 compared to 0.38% fo

The table below presents the allocated loan loss reserves by loan type as of December 31, and 2013.

	December 31,		
(in thousands)	2014	2013	Decre
Commercial	$12,967	$17,348	$(4,3
Construction	1,486	2,044	(558
Consumer	6,300	6,410	(110
Mortgage	3,251	3,376	(125
Covered	555	3,331	(2,77
Acquired, Non-covered	160	278	(118
Unallocated	731	897	(166
Total allocated loan loss reserve by loan type	$25,450	$33,684	$(8,2

Our allowance allocated to commercial loans decreased by $4.4 million during 2014, to $1
million compared to $17.3 million at the end of 2013. The decrease is related to improvem
qualitative factors which directly impact this portfolio and a decrease in specific reserves r
on impaired loans, partially offset by an increase in charge-offs which increased the loss fa
There was also a decrease of $2.8 million in the allowance on our acquired loan portfolio a
expected cash flows continue to improve and we continue to resolve the problem loans in t
portfolio.

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Allocation of the Allowance for Loan Losses

	December 31, 2014			December 31, 2013			December 31,	
($ in thousands)	Allowance	%(1)		Allowance	%(1)		Allowance	%
Commercial (2)	$12,967	28.2	%	$17,348	33.1	%	$13,965	32
Construction	1,486	5.3		2,044	4.9		7,578	4.
Mortgage	3,251	10.2		3,376	6.6		3,122	5.
Consumer	6,300	54.6		6,410	52.2		6,135	53
Covered	555	1.5		3,331	3.1		1,964	4.
Acquired, Non-covered	160	0.1		278	0.2		188	0.
Unallocated	731	—		897	—		1,030	—
Total	$25,450	100.0	%	$33,684	100.0	%	$33,982	10

	December 31, 2011			December 31,	
($ in thousands)	Allowance	%(1)		Allowance	%
Commercial (2)	$9,183	31.4	%	$7,532	34
Construction	8,262	5.5		9,286	8.
Mortgage	2,535	5.7		2,570	6.
Consumer	6,040	52.6		7,598	51
Covered	—	4.6		—	—
Acquired, Non-covered	—	0.1		—	—
Unallocated	1,936	—		1,096	—
Total	$27,956	100.0	%	$28,082	10

(1) Percentage of respective loan type to loans.

(2) Includes allowance allocated for commercial loans and SBA loans.

Investment Securities

The primary objectives in managing the investment securities portfolio include maintainin portfolio of high quality investments with competitive returns while providing for pledgin liquidity needs within overall asset and liability management parameters. We maintain a relatively high percentage of the investment securities portfolio as available-for-sale to me possible liquidity needs related to cash flows, the level of loan production, current interest risk strategies and the potential future direction of market interest rate changes. The held-to-maturity investment securities are primarily utilized for pledging as collateral for p deposits.

	December 31, 2014		2013		2012	
(in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fa Va
Investment securities available-for-sale:						
Obligations of U.S. Government sponsored enterprises	$25,717	$26,284	$21,123	$21,039	$10,120	$1
Municipal securities	14,170	14,860	14,699	14,769	18,316	19
Residential mortgage-backed securities	105,165	108,446	131,481	133,057	120,212	12
Total available-for sale	$145,052	$149,590	$167,303	$168,865	$148,648	$1
Investment securities held-to-maturity:						
Residential mortgage-backed securities	$3,072	$3,414	$4,051	$4,437	$6,162	$6

Commercial mortgage-backed securities	4,277	4,277	—	—	—	—
Total held-to-maturity	$7,349	$7,691	$4,051	$4,437	$6,162	$6

Investment securities available for sale at December 31, 2014 decreased $19.3 million or 1 from December 31, 2013, primarily the result of normal principal reductions. Investment securities available for sale at December 31, 2013 increased $14.5 million or 9.4% over December 31, 2012, primarily the result of purchasing mortgage-backed securities to bette position the portfolio for anticipated increases in loan production, partially offset by norma principal reductions.

Investment securities held-to-maturity at December 31, 2014 increased $3.3 million or 81. over December 31, 2013, primarily the result of purchasing a commercial mortgage backe security associated with a low-income housing project in one of our markets. Investment securities held-to-maturity at December 31, 2013 decreased $2.1 million or 34.3% from December 31, 2012, primarily the result of normal principal reductions.

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The amortized cost and fair value of investment securities are categorized in the following
by contractual maturity. Securities not due at a single maturity (i.e., mortgage-backed secu
are shown separately.

(in thousands)	December 31, 2014 Amortized Cost	Fair Value	Average Yield[1]		December 31, 2013 Amortized Cost	Fair Value	Av Yi
Investment securities available-for-sale:							
Obligations of U.S. Government sponsored enterprises							
Due five years through ten years	$24,713	$25,210	2.54	%	$19,605	$19,553	2.5
Due after ten years	1,004	1,074	3.46		1,518	1,486	2.9
Municipal securities[2]							
Due within one year	817	819	2.07		—	—	—
Due after one year through five years	885	895	5.83		1,716	1,745	4.0
Due five years through ten years	688	727	5.38		691	700	5.3
Due after ten years	11,780	12,419	5.97		12,292	12,324	5.8
Residential mortgage-backed securities	105,165	108,446	2.77		131,481	133,057	2.4
Total available-for sale	$145,052	$149,590			$167,303	$168,865	
Investment securities held-to-maturity:							
Residential mortgage-backed securities	$3,072	$3,414	4.92	%	$4,051	$4,437	4.9
Commercial mortgage-backed securities	4,277	4,277	3.63		—	—	—
Total held-to-maturity	$7,349	$7,691			$4,051	$4,437	

(1) Weighted average yields are calculated on the basis of the carrying value of the securit

(2) Average yields reflect the effect of taxable equivalent adjustments using a 35% tax rate

Deposits

Deposits are a primary source of funding for us and provide us with the ability to successf
meet both short-term and long-term liquidity needs. While retail deposits are a primary sou
funding and provide a customer base for cross-selling additional products and services, we
emphasize commercial accounts as an opportunity for growth and to meet our business cus
needs. We also utilize brokered deposits as a funding source, although to a lesser degree.

Total deposits of $2.5 billion at December 31, 2014 increased by $255.6 million, or 11.6%
compared to December 31, 2013. The overall increase occurred primarily due to the assum
of deposits from six branches in northern Florida during September 2014. Core deposits, w
are comprised of noninterest-bearing demand; interest-bearing demand, and savings depos
increased $153.1 million or 10.1% also increased as a result of our continuing transaction
acquisition initiative, particularly in commercial accounts. Time deposits at December 31,
increased $102.5 million or 14.9% which included an increase in brokered deposits at year
2014 due to timing of loan sales, partially offset by the continued planned reduction in hig
maturing time deposit accounts.

The following table summarizes average balances and interest rates paid by category for th
three years.

	For the Year Ended December 31,						
	2014			2013			2012
(Dollars in thousands)	Average Amount	Rate	% of Total	Average Amount	Rate	% of Total	Average Amount
Noninterest-bearing demand deposits	$539,023	— %	23.9 %	$417,681	— %	19.9 %	$329,150
Demand and money market	722,448	0.26	32.0	648,734	0.28	30.8	581,577
Savings deposits	316,439	0.36	14.0	317,845	0.41	15.1	342,806
Time deposits	681,915	0.98	30.2	719,205	1.01	34.2	679,940
Total average deposits	$2,259,825	0.43	100.0%	$2,103,465	0.50	100.0%	$1,933,47

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Total average deposits for 2014 increased $156.4 million, or 7.4% over 2013. Average cor
deposits for 2014 increased $193.7 million, or 14.0% over 2013, primarily due to growth f
continuing transaction account initiative as well as the above-mentioned branch acquisition
deposits for 2014 decreased $37.3 million, or 5.2% from 2013, primarily due to the planne
reduction in maturing higher rate time deposits, partially offset by retail time deposits assu
part of the branch acquisition. Total average deposits for 2013 increased $170.0 million or
over 2012, with $130.7 million of the increase coming from core deposits. The increase in
deposits was primarily due to the transaction account initiative as well as our customers'
preference to retain balances in account types that provide flexibility to easily access their
if rates rise, due to the continued low market interest rate environment.

As a result of our organic branch growth, our branch acquisitions, and our continuing trans
account initiative, we have shifted our deposit mix toward lower cost core deposits over th
two years, resulting in a decrease of 14 bps in the average rate on deposits. The decrease in
average rate on deposits was primarily the result of the shift in deposit mix as well as the
continued low market interest rate environment.

The following table summarizes scheduled maturities for time deposits $100,000 and grea
December 31, 2014.

(in thousands)	Decemb 2014
Three months or less	$46,300
Over three through six months	62,663
Over six through twelve months	124,080
Over 12 months	134,684
Total time deposits $100,000 and greater	$367,72

Interest Rate and Maturity Distribution of Borrowings

We use our borrowing capability with the FHLB as our primary funding source for borrow
We enter into FHLB advances with terms that are consistent with our interest rate risk pos
the time we enter into each advance. All FHLB advances are collateralized with qualifying
residential mortgage, home equity and commercial real estate loans and, from time to time
agency notes or agency mortgage-backed securities.

We had $160.0 million and $45.0 million in fixed rate FHLB advances outstanding at
December 31, 2014 and 2013, respectively. In addition, we utilized variable rate overnight
funding sources of $131.1 million and $14.2 million at December 31, 2014 and 2013,
respectively. The increase over December 31, 2013 was primarily the result of increased in
automobile and residential mortgage loan production.

The maturity distribution and interest rate characteristics of our FHLB advances and feder
purchased at December 31, 2014 and 2013 are presented in the table below:

($ in thousands)				December 31,	
Borrowing Type	Interest Rate		Maturity Date	2014	201
Overnight repurchase agreements	0.15	%	January 1, 2014	$—	$14
	0.17		January 1, 2015	14,087	—
FHLB Daily Rate Credit Advance	0.37		July 2, 2015	35,000	—
FHLB Fixed Rate Credit Advance	0.32		March 11, 2014	—	15,
	0.31		April 1, 2014	—	10,
	0.41		June 20, 2014	—	10,
	0.23		January 23, 2015	50,000	—
	0.19			25,000	—

		January 28, 2015		
	0.24	February 24, 2015	50,000	—
	0.41	March 12, 2015	10,000	10,
	0.26	June 19, 2015	25,000	—
Overnight Federal Funds Purchased	0.49	July 2, 2015	82,000	—
Total other borrowings			$291,087	$59

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Schedule of Short-term Borrowings

The following information for the years ended December 31, 2014, 2013 and 2012 pertain
federal funds purchased, overnight repurchase agreements, and FHLB advances.

($ in thousands)

Years Ended December 31,	Maximum Outstanding at any Month End	Average Balance	Average Interest Rate During the Year		Ending Balance	Weigh Avera Intere at Yea
2014	$ 291,087	$ 132,540	0.30	%	$ 291,087	0.32
2013	234,536	120,987	0.64		59,233	0.29
2012	205,231	120,779	1.08		125,660	1.13

Subordinated Debt

At both December 31, 2014 and 2013, we had $46.4 million in trust preferred securities cl as subordinated debt in our consolidated financial statements, including $1.4 million in subordinated debt incurred to acquire stock in our three unconsolidated trust preferred subsidiaries.

On September 8, 2013, we redeemed two series of our trust preferred securities previously in 2000 with an aggregate outstanding principal amount of $20.5 million.

On August 20, 2007, we issued $20.0 million in fixed-floating rate capital securities of Fid Southern Statutory Trust III with a liquidation value of $1,000 per security. Interest was fi 6.62% for five years and converted to a floating rate, which adjusts quarterly at a rate per a equal to the three-month LIBOR plus 1.40%, with a rate of 1.64% at both December 31, 2 2013. The issuance has a final maturity of 30 years, but may be redeemed with regulatory approval at any distribution payment date on or after September 15, 2012, or at any time u certain events, such as a change in the regulatory treatment of the trust preferred securities redemption price of 100%.

On March 17, 2005, we issued $10.0 million in floating rate capital securities of Fidelity S Statutory Trust II with a liquidation value of $1,000 per security. Interest adjusts quarterly rate per annum equal to the three-month LIBOR plus 1.89%.with a rate of 2.13% at both December 31, 2014 and 2013 . The issuance has a final maturity of 30 years, but may be redeemed at any distribution payment date on or after March 17, 2010, at the redemption p 100%.

On June 26, 2003, we issued $15.0 million in Floating Rate Capital Securities of Fidelity Southern Statutory Trust I with a liquidation value of $1,000 per security. Interest adjusts quarterly at a rate per annum equal to the three-month LIBOR plus 3.10%. The rates in eff December 31, 2014 and 2013, was 3.35%. The issuance has a final maturity of 30 years, b be redeemed at any distribution payment date on or after June 26, 2008, at the redemption of 100%.

The trust preferred securities were sold in private transactions exempt from registration un Securities Act of 1933, as amended (the “Act”) and were not registered under the Act. The payments to the trust preferred securities holders are fully tax deductible.

The $45.0 million of trust preferred securities issued by our trust subsidiaries, as of Decem 2014 and 2013, are not consolidated for financial reporting purposes. Thus, the equity investments in the subsidiaries we created to issue the obligations, the obligations themsel and related dividend income and interest expense are reported on an unconsolidated basis, the investments in the amount of $1.4 million at December 31, 2014, and 2013, reported a assets and dividends included as other noninterest income. The obligations, including the a related to the equity investments, in the amount of $46.4 million at December 31, 2014, an respectively, are reported as subordinated debt, with related interest expense reported as in on subordinated debt in our consolidated financial statements.

We included the $45.0 million of trust preferred securities in our Tier 1 capital at Decemb
2014 and 2013 as an element of restricted core capital. Restricted core capital elements are
subject to an aggregate 25% of Tier 1 capital, net of goodwill limitation, as defined by the
regulatory risk-based capital standards for bank holding companies. These standards also r
that trust preferred securities be excluded from Tier 1 capital within five years of the matu
the underlying junior subordinated notes issued. Our first junior subordinated note matures
June 2033.

Shareholders' Equity

Shareholders' equity at December 31, 2014 and 2013, was $265.0 million and $236.2 mill
respectively. The $28.7 million increase in shareholders' equity over December 31, 2013 w
primarily the result of the net income for 2014, partially offset by dividends paid to comm
shareholders during 2014.

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At December 2014, the U.S. Treasury held a warrant (the "Warrant")to purchase up to 2,6
and shares of our common stock at an exercise price of $2.71 per share, as adjusted for sto
dividends. In December 2008, as part of the U.S. Treasury's Capital Purchase Program, th
Treasury purchased 48,200 shares of the Company's Fixed Rate Cumulative Perpetual Pre
Stock, Series A (the "Preferred Stock"), and the Warrant for an aggregate purchase price o
million in cash. On June 27, 2012, the Treasury sold all of its shares of the Company's Pre
Stock in a public offering as part of a modified Dutch auction process. The Company did n
receive any proceeds from this auction.
On June 10, 2013, we closed a $60.0 million public offering of common stock at $12.00 p
share, and on June 18, 2013, the underwriters exercised their option of the allotment share
additional $9.0 million in capital. The proceeds were used to redeem all of the Preferred S
and two series of our trust preferred securities with an aggregate outstanding principal amo
$20.5 million.
Recent Accounting Pronouncements
In February 2015, the Financial Standards Board ("FASB") issued Accounting Standards U
("ASU") 2015-02 "Consolidation (Topic 810): Amendments to the Consolidation Analysis
amendments in this standard provide guidance for performing a consolidation analysis and
reporting entities will be within the scope of Topic 810. As a result, limited partnerships w
considered VIEs, unless a scope exception applies; three of the six criteria for determining
paid to a decision maker or service provider represent a variable interest were eliminated;
the extent to which related party arrangements cause an entity to be considered a primary
beneficiary, and eliminates the deferral of ASU 2009-17 for certain investment funds. The
amendments are effective for entities during annual reporting periods beginning after Dece
15, 2015. Early adoption is permitted. The adoption of this ASU is not expected to have a
significant impact on the Company's Consolidated Financial Statements.
In January 2015, the FASB issued ASU 2015-01 "Income Statement-Extraordinary and U
Items: Simplifying Income Statement Presentation by Eliminating the Concept of Extraord
Items." The new guidance eliminates the concept of an extraordinary item. As a result, an
will no longer segregate an extraordinary items from the results of ordinary operations; sep
present an extraordinary on its income statement, net of tax, after income from continuing
operations; and disclose income taxes and EPS data applicable to an extraordinary item. T
does not affect the reporting and disclosure requirements for an event that is unusual in na
that occurs infrequently. The amendments are effective for entities during annual reporting
periods beginning after December 15, 2015, and interim reporting periods therein and thos
requirements may be applied prospectively or retrospectively. Early adoption is permitted.
adoption of this ASU is not expected to have a significant impact on the Company's Conso
Financial Statements.
In August 2014, the FASB issued ASU 2014-15 "Disclosure of Uncertainties about an Ent
Ability to Continue as a Going Concern." The amendments in this standard provide guidan
about management's responsibility to evaluate whether there is substantial doubt about an
ability to continue as a going concern and to provide related footnote disclosures. The
amendments will be effective for public entities during annual reporting periods beginning
December 15, 2016, and interim reporting periods therein and those requirements should b
applied retrospectively. Early adoption is not permitted. The adoption of this ASU is not e
to have a significant impact on the Company's Consolidated Financial Statements.
In August 2014, the FASB issued ASU 2014-14 "Classification of Certain
Government-Guaranteed Mortgage Loans upon Foreclosure." The amendments in this gui
provide specific guidance on how to classify or measure foreclosed mortgage loans that ar
government guaranteed. The amendments will be effective for public entities during annua
reporting periods beginning after December 15, 2014, and interim reporting periods therei

those requirements should be applied retrospectively. Early adoption is not permitted. The adoption of this ASU is not expected to have a significant impact on the Company's Conso Financial Statements.

In June 2014, the FASB issued ASU 2014-11 "Repurchase-to-Maturity Transactions, Repu Financings, and Disclosures." The new guidance requires entities to account for repurchase-to-maturity transactions as secured borrowings, eliminates accounting guidanc linked repurchase financing transactions, and expands disclosure requirements for certain transfers of financial assets that are accounted for as sales and certain transfers accounted secured borrowings. The amendments are effective for entities during annual reporting per beginning after December 15, 2014, and interim reporting periods therein. The guidance sh be applied by making a cumulative-effect adjustment to retained earnings as of the beginn the period of adoption for any transactions outstanding on the effective date. Early adoptio permitted. The adoption of this ASU is not expected to have a significant impact on the Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers." amendments in this guidance indicate that entities should recognize revenue to reflect the transfers of goods or services to customers in an amount equal to the consideration the ent receives or expects to receive. The amendments will be effective for entities during annual reporting periods beginning after December 15, 2016, and interim reporting periods therei those requirements should be applied retrospectively. Early adoption is not permitted. The Company is continuing to evaluate the impact of this ASU.

In January 2014, the FASB issued ASU 2014-04 "Reclassification of Residential Real Esta
Collateralized Consumer Mortgage Loans upon Foreclosure." The amendments clarify wh
in substance repossession or foreclosure occurs, such that the loan should be derecognized
real estate property should be recognized. The amendments will be effective for entities du
annual reporting periods beginning after December 15, 2014, and interim reporting periods
therein and those requirements should be applied prospectively. Early adoption is permitte
adoption of this ASU is not expected to have a significant impact on the Company's Conso
Financial Statements.

In July 2013, the FASB issued ASU 2013-11 "Presentation of an Unrecognized Tax Benef
When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforwa
Exists". The amendments address the uniformity of the presentation of unrecognized tax b
The amendments in this guidance will be effective for entities during annual reporting peri
beginning after December 15, 2013, and interim reporting periods therein and those requir
should be applied prospectively to all unrecognized tax benefits that exist at the effective d
Early adoption was permitted. The adoption of this ASU did not have a material impact on
Company's Consolidated Financial Statements.

Other accounting standards that have been issued or proposed by the FASB or other
standard-settings bodies are not expected to have a material impact on the Company finan
position, results of operations or cash flows.

CONSOLIDATED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth, for the periods indicated, certain consolidated quarterly fina information. This information is derived from unaudited consolidated financial statements include, in the opinion of management, all normal recurring adjustments which we conside necessary for a fair presentation of the results for such periods. The results for any quarter necessarily indicative of results for any future period. This information should be read in conjunction with our consolidated financial statements and the notes thereto included else in this report.

(in thousands, except per share data)	2014 Fourth Quarter	Third Quarter	Second Quarter	First Quart
Interest income	$26,633	$25,891	$26,065	$23,0
Interest expense	3,018	2,727	2,674	2,807
Net interest income	23,615	23,164	23,391	20,27
Provision for loan losses	556	1,859	566	(2,45
Securities gains, net	—	—	—	—
Noninterest income	24,711	27,908	23,318	19,38
Noninterest expense	36,645	35,710	33,743	32,65
Income before income taxes	11,125	13,503	12,400	9,448
Income tax expense	3,912	4,701	4,442	3,385
Net income available to common equity	$7,213	$8,802	$7,958	$6,06
Earnings per common share:				
Basic(1)	$0.34	$0.41	$0.37	$0.28
Diluted(1)	$0.31	$0.38	$0.34	$0.26
Weighted average shares outstanding - basic	21,343	21,318	21,301	21,28
Weighted average shares outstanding - diluted	23,544	23,463	23,427	23,44

(in thousands, except per share data)	2013 Fourth Quarter	Third Quarter	Second Quarter	First Quart
Interest income	$23,777	$24,930	$23,874	$24,9
Interest expense	2,920	3,400	3,741	3,900
Net interest income	20,857	21,530	20,133	21,07
Provision for loan losses	273	1,121	601	3,445
Securities gains, net	188	—	1	—
Noninterest income	17,753	25,844	28,241	25,04
Noninterest expense	32,539	34,102	33,129	32,55
Income before income taxes	5,798	12,151	14,644	10,12
Income tax expense	1,937	4,298	5,211	3,631
Net income	3,861	7,853	9,433	6,491
Preferred stock dividends and accretion of discount	—	(817)	(823)	(823
Net income available to common equity	$3,861	$7,036	$8,610	$5,66
Earnings per common share:				
Basic(1)	$0.18	$0.33	$0.52	$0.37
Diluted(1)	$0.16	$0.30	$0.46	$0.33

Weighted average shares outstanding - basic [1]	21,332	21,290	16,567	15,25
Weighted average shares outstanding - diluted [1]	23,496	23,415	18,567	17,23

[1] Historical periods prior to and including December 31, 2013 adjusted for stock dividend
Consolidated quarterly financial information (unaudited) presented above reflects the impa
acquisitions as of and for the periods following the acquisition date.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See Item 7, "Market Risk" and "Interest Rate Sensitivity" for a quantitative and qualitative
about our market risk.

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Item 8. Financial Statements and Supplementary Data

Management's Report on Internal Control over Financial Reporting

Management of Fidelity Southern Corporation (the "Company") is responsible for establis and maintaining adequate internal control over financial reporting. Management has assess effectiveness of internal control over financial reporting using the criteria established in In Control—Integrated Framework issued by the Committee of Sponsoring Organizations of Treadway Commission (COSO) (2013 framework).

The 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 accountin principles. The Company's internal control over financial reporting includes those policies procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurat 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 fi statements in accordance with generally accepted accounting principles, and that receipts a expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regardin prevention or timely detection of unauthorized acquisitions, use, or disposition of the Com assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not preve detect misstatements. Therefore, even those systems determined to be effective can provid reasonable assurance with respect to financial statement preparation and presentation. Also projections of any evaluation of effectiveness to future periods are subject to the risk that c may become inadequate because of changes in conditions, or that the degree of complianc the policies or procedures may deteriorate.

Based on the testing performed using the criteria established in Internal Control—Integrat Framework issued by the Committee of Sponsoring Organizations of the Treadway Comm (COSO) (2013 framework), management of the Company believes that the company's inte control over financial reporting was effective as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 been audited by Ernst & Young LLP, an independent registered public accounting firm, as in their report which is included herein.

FIDELITY SOUTHERN CORPOR

by /s/ JAMES B. MILLER, JR.
James B. Miller, Jr.
Chief Executive Officer and Chairm the Board

by /s/ STEPHEN H. BROLLY
Stephen H. Brolly
Chief Financial Officer

March 10, 2015

Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders of Fidelity Southern Corporation
We have audited the accompanying consolidated balance sheets of Fidelity Southern Corp and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statemen comprehensive income, shareholders' equity and cash flows for each of the three years in t period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.
We conducted our audits in accordance with the standards of the Public Company Accoun Oversight Board (United States). Those standards require that we plan and perform the au obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amou disclosures in the financial statements. An audit also includes assessing the accounting pri used and significant estimates made by management, as well as evaluating the overall fina statement presentation. We believe that our audits provide a reasonable basis for our opini
In our opinion, the financial statements referred to above present fairly, in all material resp the consolidated financial position of Fidelity Southern Corporation and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cas for each of the three years in the period ended December 31, 2014, in conformity with U.S generally accepted accounting principles.
We also have audited, in accordance with the standards of the Public Company Accountin Oversight Board (United States), Fidelity Southern Corporation and subsidiaries' internal c over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of th Treadway Commission (2013 framework) and our report dated March 10, 2015 expressed unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 10, 2015

Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders of Fidelity Southern Corporation
We have audited Fidelity Southern Corporation and subsidiaries' internal control over fina
reporting as of December 31, 2014, based on criteria established in Internal Control-Integr
Framework issued by the Committee of Sponsoring Organizations of the Treadway Comm
(2013 framework) (the COSO criteria). Fidelity Southern Corporation and subsidiaries'
management is responsible for maintaining effective internal control over financial reporti
for its assessment of the effectiveness of internal control over financial reporting included
accompanying Management's Report on Internal Control over Financial Reporting. Our
responsibility is to express an opinion on the company's internal control over financial rep
based on our audit.

We conducted our audit in accordance with the standards of the Public Company Account
Oversight Board (United States). Those standards require that we plan and perform the au
obtain reasonable assurance about whether effective internal control over financial reporti
maintained in all material respects. Our audit included obtaining an understanding of inter
control over financial reporting, assessing the risk that a material weakness exists, testing a
evaluating the design and operating effectiveness of internal control based on the assessed
and performing such other procedures as we considered necessary in the circumstances. W
believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reas
assurance regarding the reliability of financial reporting and the preparation of financial
statements for external purposes in accordance with generally accepted accounting princip
company's internal control over financial reporting includes those policies and procedures
pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflec
transactions and dispositions of the assets of the company; (2) provide reasonable assuranc
transactions are recorded as necessary to permit preparation of financial statements in acc
with generally accepted accounting principles, and that receipts and expenditures of the co
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 o
unauthorized acquisition, use, or disposition of the company's assets that could have a mat
effect on the financial statements.

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

In our opinion, Fidelity Southern Corporation and subsidiaries maintained, in all material
respects, effective internal control over financial reporting as of December 31, 2014, base
COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accountin
Oversight Board (United States), the consolidated balance sheets of Fidelity Southern
Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolida
statements of comprehensive income, shareholders' equity and cash flows for each of the t
years in the period ended December 31, 2014 of Fidelity Southern Corporation and subsid
and our report dated March 10, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 10, 2015

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FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2014	2013
($ in thousands)		
Assets		
Cash and due from banks	$13,246	$17,599
Interest-bearing deposits with banks	58,359	95,555
Federal funds sold	—	3,405
Cash and cash equivalents	71,605	116,559
Investment securities available-for-sale	149,590	168,865
Investment securities held-to-maturity	7,349	4,051
Loans held-for-sale (includes loans at fair value: $181,424 and $127,850, respectively)	368,935	187,366
Loans (includes covered loans of $34,813 and $58,365, respectively)	2,253,306	1,893,03
Allowance for loan losses	(25,450)	(33,684
Loans, net of allowance for loan losses	2,227,856	1,859,35
Premises and equipment, net	60,857	44,555
Other real estate, net (includes covered assets of $7,581 and $6,191, respectively)	22,564	30,982
Bank owned life insurance	59,553	33,855
Servicing rights	64,897	53,202
Other assets	52,019	65,380
Total assets	$3,085,225	$2,564,
Liabilities		
Deposits		
Noninterest-bearing demand deposits	$558,018	$488,22
Interest-bearing deposits	1,900,004	1,714,22
Total deposits	2,458,022	2,202,45
Other borrowings	291,087	59,233
Subordinated debt	46,393	46,393
Other liabilities	24,772	19,860
Total liabilities	2,820,274	2,327,93
Shareholders' equity		
Preferred stock, no par value. Authorized 10,000,000; zero issued	—	—
Common stock, no par value. Authorized 50,000,000; issued and outstanding 21,365,098 and 21,342,549, respectively	162,575	159,346
Accumulated other comprehensive income, net of tax	2,814	968
Retained earnings	99,562	75,916
Total shareholders’ equity	264,951	236,230
Total liabilities and shareholders’ equity	$3,085,225	$2,564,

See accompanying notes to consolidated financial statements.

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FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2014	2013	2012
($ in thousands, except per share data)			
Interest income:			
Loans, including fees	$96,664	$93,439	$92,49
Investment securities:			
Taxable interest income	4,505	3,567	4,474
Nontaxable interest income	413	443	570
Federal funds sold and bank deposits	85	114	33
Total interest income	101,667	97,563	97,57
Interest expense:			
Deposits	9,707	10,418	11,07
Other borrowings	406	810	1,763
Subordinated debt	1,113	2,733	4,242
Total interest expense	11,226	13,961	17,07
Net interest income	90,441	83,602	80,49
Provision for loan losses	531	5,440	13,42
Net interest income after provision for loan losses	89,910	78,162	67,07
Noninterest income:			
Service charges on deposit accounts	4,438	4,156	4,686
Other fees and charges	4,349	3,871	3,360
Mortgage banking activities	55,781	66,560	56,33
Indirect lending activities	18,457	9,040	6,414
SBA lending activities	4,987	3,640	4,944
Bank owned life insurance	1,673	1,273	1,307
Securities gains	—	189	307
Other	5,635	8,149	10,61
Total noninterest income	95,320	96,878	87,96
Noninterest expense:			
Salaries and employee benefits	67,006	57,645	47,83
Commissions	19,988	24,676	21,81
Occupancy	12,985	10,342	9,253
Communication	3,897	3,031	2,502
Other	34,878	36,631	33,99
Total noninterest expense	138,754	132,325	115,39
Income before income tax expense	46,476	42,715	39,63
Income tax expense	16,440	15,077	14,30
Net income	30,036	27,638	25,32
Preferred stock dividends and accretion of discount	—	(2,463)	(3,293
Net income available to common equity	$30,036	$25,175	$22,0
Earnings per common share:			
Basic	$1.41	$1.35	$1.47
Diluted	$1.28	$1.21	$1.32
Net income	$30,036	$27,638	$25,3
Other comprehensive income (loss), net of tax:			
	1,846	(2,460)	25

Change in net unrealized gains/(losses) on available-for-sale securities, net of income taxes of $1,130, $1,508, and $17			
Adjustment for net gains included in net income, net of tax of $0, $72, and $117	—	(117)	(190
Other comprehensive income (loss), net of tax	1,846	(2,577)	(165
Total comprehensive income	$31,882	$25,061	$25,1

See accompanying notes to consolidated financial statements.

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FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock		Common Stock		Accumulated Other Comprehensive Income (Loss) Net of Tax	Retained Earnings	To
(in thousands, except per share data)	Shares	Amount	Shares	Amount			
Balance at December 31, 2011	48	$46,461	13,323	$74,219	$ 3,710	$42,890	$1
Net income	—	—	—	—	—	25,327	25,
Other comprehensive income, net of tax	—	—	—	—	(165)	—	(16
Comprehensive income	—	—	—	—	—	—	25,
Common stock issued and share-based compensation recorded under:							
Employee benefit plans, including tax benefit	—	—	691	2,712	—	—	2,7
Restricted stock retired	—	—	(11)	(40)	—	—	(40
Dividend reinvestment plan	—	—	24	197	—	—	19
Accretion of discount on preferred stock	—	883	—	—	—	(883)	—
Preferred stock dividend paid	—	—	—	—	—	(2,410)	(2,
Common stock dividend	—	—	753	6,991	—	(6,991)	—
Cash paid for fractional interest associated with stock dividend	—	—	—	—	—	(13)	(13
Balance at December 31, 2012	48	$47,344	14,780	$84,079	$ 3,545	$57,920	$1
Net income	—	—	—	—	—	27,638	27,
Other comprehensive (loss), net of tax	—	—	—	—	(2,577)	—	(2,
Comprehensive income	—	—	—	—	—	—	25,
Common stock issued and share-based compensation recorded under:							
Employee benefit plans, including tax benefit	—	—	384	3,679	—	—	3,6
Restricted stock retired	—	—	(33)	(345)	—	—	(34

Dividend reinvestment plan	—	—	29	410	—	—	41
Preferred stock redemption, including accretion of discount	(48)	(47,344)	—	—	—	(856)	(48
Stock issuance	—	—	5,750	65,419	—	—	65,
Preferred stock dividend paid	—	—	—	—	—	(1,607)	(1,
Common stock dividend	—	—	433	6,104	—	(6,104)	—
Cash dividends paid ($0.05 per share)	—	—	—	—	—	(1,053)	(1,
Cash paid for fractional interest associated with stock dividend	—	—	—	—	—	(22)	(22
Balance at December 31, 2013	—	$—	21,343	$159,346	$ 968	$75,916	$2
Net income	—	—	—	—	—	30,036	30,
Other comprehensive income, net of tax	—	—	—	—	1,846	—	1,8
Comprehensive income	—	—	—	—	—	—	31,
Common stock issued and share-based compensation recorded under:							
Employee benefit plans, including tax benefit	—	—	78	3,091	—	—	3,0
Restricted stock retired	—	—	(117)	(722)	—	—	(72
Dividend reinvestment plan	—	—	61	860	—	—	860
Common stock dividend	—	—	—	—	—	—	—
Cash dividends paid ($0.30 per share)	—	—	—	—	—	(6,385)	(6,
Cash paid for fractional interest associated with stock dividend	—	—	—	—	—	(5)	(5
Balance at December 31, 2014	—	$—	21,365	$162,575	$ 2,814	$99,562	$2

See accompanying notes to consolidated financial statements.

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FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(in thousands)	2014	2013	201
Cash flows from operating activities:			
Net income	$30,036	$27,638	$25
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Provision for loan losses	531	5,440	13,4
Depreciation and amortization of premises and equipment	4,346	3,461	2,59
Other amortization, net	9,221	10,243	7,46
Impairment of other real estate	2,158	4,063	4,69
Impairment (recovery) of servicing rights valuation	2,923	(59)	2,46
Share-based compensation	1,655	1,270	687
Gain on investment security sales	—	(189)	(30
Gains on loan sales, including origination of servicing rights	(60,503)	(63,824)	(48
Gain on FDIC assisted acquisition	—	—	(4,2
Net gain on sales of other real estate	(3,299)	(4,374)	(3,5
Net income on bank owned life insurance	(1,566)	(1,162)	(1,2
Net decrease (increase) in deferred income tax asset	15,936	3,340	(4,9
Change in fair value of loans held-for-sale	(1,811)	6,031	(4,1
Changes in assets and liabilities which provided (used) cash:			
Originations of loans held-for-sale	(2,664,366)	(2,946,647)	(2,5
Proceeds from sales of loans held-for-sale	2,515,314	3,092,682	2,37
Net payments received from FDIC under loss-share arrangements	5,606	8,171	27,9
Other assets	(1,746)	1,751	(3,2
Other liabilities	3,626	(1,765)	(1,2
Net cash (used in) provided by operating activities	(141,939)	146,070	(12
Cash flows from investing activities:			
Purchases of investment securities available-for-sale	(5,006)	(73,966)	(14
Purchases of investment securities held-to-maturity	(4,334)	—	—
Purchases of FHLB stock	(19,260)	(5,355)	(2,9
Proceeds from sales of investment securities available-for-sale	—	9,047	42,9
Maturities and calls of investment securities held-to-maturity	1,036	2,111	2,7
Maturities and calls of investment securities available-for-sale	27,344	46,388	96,8
Redemption of FHLB stock	13,174	7,691	3,17
Net proceeds from sale of loans	52,211	47,625	—
Net increase in loans	(426,029)	(196,777)	(14
Proceeds from bank owned life insurance	868	—	—
Purchase of bank owned life insurance	(25,000)	—	—
Proceeds from sales of other real estate	21,649	31,161	38,
Purchases of premises and equipment	(13,406)	(10,347)	(8,6
Cash received in excess of cash paid for acquisitions	161,997	—	29,7

Net cash (used in) provided by investing activities	(214,756)	(142,422)	46,

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FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	Years Ended December 31,		
(in thousands)	2014	2013	201
Cash flows from financing activities:			
Net increase in noninterest-bearing demand deposits	$48,638	$106,378	$11
Net increase (decrease) in interest-bearing deposits	36,065	28,063	(64
Net increase (decrease) in other borrowings	81,854	(22,927)	18,
Proceeds from FHLB advances	688,000	262,000	240
Repayments on FHLB advances	(538,000)	(305,500)	(23
Subordinated debt redemption	—	(21,134)	—
Preferred stock redemption	—	(48,200)	—
Proceeds from the issuance of common stock	1,574	67,893	2,1
Common stock dividends paid	(6,390)	(1,075)	(13
Preferred stock dividends paid	—	(1,607)	(2,4
Net cash provided by financing activities	311,741	63,891	69,
Net (decrease) increase in cash and cash equivalents	(44,954)	67,539	(8,2
Cash and cash equivalents, beginning of year	116,559	49,020	57,
Cash and cash equivalents, end of year	$71,605	$116,559	$49

	Years Ended December 31,		
(in thousands)	2014	2013	201
Supplemental cash flow information and non-cash disclosures:			
Cash paid during the year for:			
Interest	$11,275	$15,004	$17
Income taxes	$970	$17,391	$14
Acquisitions			
Assets acquired	$9,421	$—	$12
Liabilities assumed	$171,022	$—	$14
Transfers of loans to other real estate	$12,090	$22,076	$25
Accretion of discount on preferred stock	$—	$856	$88
Stock dividends	$—	$6,104	$6,
Loans transferred from held-for-sale to held-for-investment	$4,134	$3,161	$—

See accompanying notes to consolidated financial statements.

FIDELITY SOUTHERN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per share data)
December 31, 2014

1. Summary of Significant Accounting Policies

Nature of Operations

Fidelity Southern Corporation (“FSC” or “Fidelity”) is a bank holding company headquart Atlanta, Georgia. Fidelity conducts operations primarily through Fidelity Bank, a state cha wholly-owned subsidiary (the “Bank”), and LionMark Insurance Company ("LionMark"), insurance agency offering consumer credit related insurance products. The “Company” or used herein, includes FSC and its consolidated subsidiaries, unless the context requires oth

The Bank provides a full range of financial products and services for retail customers and medium-sized businesses, primarily in the metropolitan Atlanta and northern Florida mark

The Bank attracts deposits from individuals and businesses and uses these deposits and bo funds to originate commercial, residential mortgage, construction and installment loans, of a portion are sold with servicing retained by the Bank. The Bank also offers trust and weal management services to individuals; as well as cash management services, remote deposit services and international trade services for businesses. Through its marketing partners, th offers merchant services for businesses and credit cards for both individuals and businesse

The Company principally operates in one business segment, which is community banking.

Basis of Consolidation

The consolidated financial statements have been prepared in conformity with U. S. genera accepted accounting principles ("GAAP") followed within the financial services industry. consolidated financial statements include the accounts of Fidelity and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated consolidation. All normal, recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the financial statements have been included. Certain an previously reported have been reclassified to conform to the current presentation. Such reclassifications had no effect on prior year net income or shareholders' equity.

The Company also has three unconsolidated subsidiaries that were established for the purp issuing an aggregate of $46.4 million of trust preferred securities. The equity investments reported as other assets and dividends are included as other noninterest income. The oblig are reported as subordinated debt, with related interest expense reported as interest on subordinated debt.

Use of Estimates

In preparing the consolidated financial statements, management makes estimates and assu based on available information that affect the reported amounts of assets and liabilities as o balance sheet dates, revenues and expenses for the periods reported and the disclosures pro Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of allowance for loan losses, the calculations of and the amortization of capitalized servicing the valuation of loans held-for-sale and certain derivatives, the valuation of real estate or o assets acquired in connection with foreclosures or in satisfaction of loans, estimates used f value acquisition accounting and Federal Deposit Insurance Corporation (the "FDIC") rece for loss share agreements, and valuation of deferred income taxes. In addition, the actual li certain amortizable assets and income items are estimates subject to change.

The determination of the adequacy of the allowance for loan losses is based on estimates t susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the valuation of capitalized servicing rights and loans held-for sale; estimated losses on real estate or other assets acquired in connection with

foreclosure; fair value acquisition accounting and the FDIC receivable, management obtai
independent valuations. In evaluating the Company's deferred tax assets, management con
the level of future revenues and their capacity to fully utilize the current levels of deferred
assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash
in process of collection, interest-bearing deposits with banks, and federal funds sold.
Interest-bearing deposits with other financial institutions have maturities less than 90 days
carried at cost. Federal funds sold are generally purchased and sold for one-day periods, bu
from time to time, have longer terms.

Investment Securities

The Company's investment securities are classified as either available-for-sale or
held-to-maturity. Held-to-maturity securities are those securities for which the Company h
ability and intent to hold until maturity. All other securities are classified as available-for-s
The Company does not engage in trading activity.

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Available-for-sale securities are recorded at fair value. Held-to-maturity securities are reco
cost, adjusted for the amortization of premiums or accretion of discounts. Unrealized gains
losses, net of related tax effect, on available-for-sale securities are excluded from income a
reported in other comprehensive income, net of tax. The amortization of premiums and acc
of discounts are recognized in interest income over the life of the related investment securi
an adjustment to yield using the effective interest method. Dividend and interest income ar
recognized when earned. Realized gains and losses for securities sold are included in incon
the trade date and are derived using the specific identification method for determining the
securities sold.

If the fair value of a security is less than its amortized cost basis at the balance sheet date,
management must determine if the security has an other than temporary impairment ("OT
In determining whether OTTI losses exist, on at least a quarterly basis, management consi
the length of time and the extent to which the fair value has been less than cost, (ii) the fin
condition and near-term prospects of the issuer, and (iii) the Company's intent to sell the se
and whether it is more likely than not that the Company would be required to sell the secu
prior to its anticipated recovery or maturity.

Loans held-for-sale

Loans held-for-sale include the majority of originated residential mortgage loans, certain S
Business Administration ("SBA") loans, and a pool of indirect automobile loans, which th
Company has the intent and ability to sell. The Company has elected to account for resider
mortgage loans held-for-sale under the fair value option ("FVO"). The fair value of comm
residential mortgage loans held-for-sale is determined by outstanding commitments from
investors and the fair value of uncommitted loans is based on current delivery prices in the
secondary mortgage market. Origination fees and costs are recognized in earnings at the ti
origination for residential mortgage loans held-for-sale.

The SBA and indirect automobile loans held-for-sale are recorded at the lower of cost or m
Any loans subsequently transferred to the held for investment portfolio are transferred at th
lower of cost or market at that time. For SBA loans, fair value is determined primarily bas
loan performance and available market information. For indirect automobile loans, the fair
is determined based on evaluating the estimated market value of the pool being accumulat
sale based on available market information. Origination fees and costs for SBA and indire
automobile loans held-for-sale are capitalized on the basis of the loan and are included in t
calculation of realized gains and losses upon sale.

Gains and losses on the sales of loans are recognized at the settlement date, based on the
difference between the net sales proceeds, including the estimated value associated with se
assets or liabilities, and the net carrying value of the loans sold. Adjustments to reflect unr
gains and losses resulting from changes in fair value of residential mortgage loans held-for
as well as realized gains and losses at the sale of the residential mortgage loans, SBA loans
indirect automobile loans are classified in the Consolidated Statements of Comprehensive
as noninterest income from mortgage banking activities, SBA lending activities, and indire
lending activities, respectively.

Loans and Interest Income

Loans originated for investment are reported at principal balance and include net deferred
amounts. Net deferred amounts are comprised of deferred loan fees, net of certain originat
costs; loan discounts; and indirect dealer reserves. Interest income is recognized in the
Consolidated Statements of Comprehensive Income as it is earned, using the effective yiel
interest method on the daily principal balance. Net deferred amounts are recognized as par
interest income over the expected lives of the underlying loans using the interest method.

Past due status is based on the contractual terms of the loan agreement. Generally, the accr
interest income is discontinued when a loan becomes 90 days past due. A loan may be plac

nonaccrual status sooner if reasonable doubt exists as to the full, timely collection of princ interest. When a loan is placed on nonaccrual status, previously accrued and uncollected in is reversed against current period interest income. Subsequent interest collected is recorded principal reduction. Nonaccrual loans are returned to accrual status when all contractually principal and interest amounts are brought current and the future payments are reasonably assured.

Loans identified as nonaccrual are potentially impaired loans. Loans that experience insign payment delays and payment shortfalls generally are not classified as impaired loans, prov that management expects to collect all amounts due. A loan is considered impaired when, on current information and events, it is probable that the Company will be unable to collec amounts due according to the contractual terms of the loan agreement.

In addition, troubled debt restructurings ("TDRs") occur when a borrower is experiencing financial difficulty and the Company has granted an economic concession to the borrower. to modifying a borrower's loan terms, the Company performs an evaluation of the borrowe financial condition and ability to service the loan under the potential modified loan terms. types of concessions granted are generally interest rate reductions or term extensions. If a accruing at the time of modification, the loan remains on accrual status and is subject to th Company's charge-off and nonaccrual policies. If a loan is on nonaccrual status before it is determined to be a TDR, then the loan remains on nonaccrual status. TDRs may be returne accrual status if there has been at least a six-month sustained period of repayment perform the borrower. Interest income recognition on impaired loans is dependent on nonaccrual st All loans whose terms have been modified in a TDR are considered impaired.

Impairment is determined through the Company's normal loan administration and review functions. Impaired loans are evaluated based on the present value of expected future cash discounted at each loan's original effective interest rate, or at the loan's observable market or the fair value of the collateral, if the loan is collateral-dependent. When it has been dete that a loan cannot be collected in whole or in part, the uncollectible portion is charged off the allowance for loan losses.

Allowance for Loan Losses

The allowance for loan losses ("ALL") is a valuation allowance for probable incurred cred losses. The ALL is maintained at a level which, in management's opinion, is adequate to al credit losses inherent in the loan portfolio as of the balance sheet date. The Company utiliz peer group analysis, as well as a historical analysis of the Company's loan portfolio to vali overall adequacy of the ALL. In addition to these objective criteria, the Company subjectiv assesses the adequacy of the ALL with consideration given to current economic conditions changes to loan policies, the volume and type of lending, composition of the portfolio, the of classified and criticized loans, seasoning of the loan portfolio, payment status and other factors. The ALL is adjusted through provisions for loan losses charged to operations. Loa losses are charged against the ALL when management believes the uncollectibility of a loa whole or in part, is confirmed. Subsequent recoveries, if any, are credited to the ALL.

The ALL on originated loans consists of specific, general, and unallocated components. Th specific component is established to the extent that the estimated value of an impaired loan than the recorded investment. The general component covers non-impaired loans and is ba historical loss experience, current economic trends, current underwriting standards, and ot qualitative factors that management believes might impact the estimated losses in the portf This evaluation is inherently subjective as it requires estimates that are susceptible to signi revision as more information becomes available.

The adequacy of the ALL is evaluated monthly using an established process determined by management and the Credit Review Department. Nonperforming commercial loans with outstanding balances exceeding $50,000, as well as certain other performing loans with gr than normal credit risks, are reviewed to determine the level of allowance required to be specifically allocated to these loans. For the general component of the ALL, the loan portf segregated by type of loan, evaluated for exposure to risks, and allocated a loss percentage for each homogeneous portfolio. While allocations of the ALL may be made for specific lo the entire ALL is available for any loan that, in management's judgment, should be charge Management believes that the ALL is adequate as of the balance sheet date. The ALL eval does not include the effects of expected losses on specific loans or groups of loans that are to future events or expected changes in economic conditions. While management uses the information available to make its evaluation, future adjustments to the ALL may be necess there are significant changes in economic conditions. In addition, regulatory agencies, as a integral part of their examination process, conduct periodic reviews and may required addi the ALL based on their judgment about information available to them at the time of their examination.

In addition, the Company has established a reserve for outstanding loan commitments and of credit that is not included in the ALL. This reserve is included in other liabilities on the Consolidated Balance Sheets with changes reported as part of other noninterest expense, n included in the provision for loan losses, in the Consolidated Statements of Comprehensiv Income.

Premises and Equipment

Land is stated at cost. Office equipment, furnishings, and buildings, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Deprecia computed using the straight-line method over an estimated useful life of 20 to 39 years for buildings and three to 15 years for furniture and equipment. Leasehold improvements are amortized using the straight-line method over the lease term or estimated useful life, whicl shorter. Maintenance and repairs and minor replacements are charged to expense when inc Gains and losses on routine dispositions are reflected in earnings.

Other Real Estate ("ORE")

ORE represents property acquired through foreclosure or deed in lieu of foreclosure in satisfaction of loans. ORE is reported at the lower of cost or fair value, less estimated selli costs. Fair value is normally determined on the basis of current appraisals, comparable sale other estimates of value obtained principally from independent sources. At the time of fore or initial possession of collateral, any excess of the loan balance over the fair value of the r estate held as collateral is treated as a charge against the ALL. After the transfer to ORE, t value less estimated selling costs becomes the new cost basis for the ORE. Costs to compl houses foreclosed during construction are capitalized.

Management reviews the fair value of ORE on at least a quarterly basis. Subsequent chang recorded as part of other noninterest expense in the Consolidated Statements of Comprehe Income. In assessing fair value, management considers circumstances such as change in economic conditions since the last appraisal, stale appraisals or imprecision and subjectivi the appraisal process. Generally, a new appraisal is received at least annually on each ORE property. Gains or losses on sales of ORE are recorded in other noninterest income and op costs after acquisition are recorded in other noninterest expense on the Consolidated Stater of Comprehensive Income.

Bank Owned Life Insurance
Bank owned life insurance ("BOLI") is long-term life insurance on the lives of certain curr past employees where the insurance policy benefits and ownership are retained by the Com BOLI is recorded at its cash surrender value on the Consolidated Balance Sheets. Changes cash surrender value and gain from the death benefit are recorded in noninterest income on Consolidated Statement of Comprehensive Income. The cash value accumulation on BOLI permanently tax deferred if the policy is held to the insured person's death and certain othe conditions are met.

Certain Transfers of Financial Assets and Servicing Rights
Transfers of financial assets are accounted for as sales when control over the assets has bee surrendered. Control over transferred assets is deemed to be surrendered when (i) the asset been isolated from the Company, (ii) the transferee obtains the right, free of conditions tha constrain it from taking advantage of that right to pledge or exchange the transferred assets (iii) the Company does not maintain effective control over the transferred assets through a agreement to repurchase them before their maturity.

The Company sells certain residential mortgage loans, indirect automobile loans, and SBA to third parties. All such transfers are accounted for as sales by the Company and it does n engage in securitization activities with respect to such loans. Gains or losses upon sale, in addition to servicing fees, are recorded as part of noninterest income from mortgage banki activities, indirect lending activities, and SBA lending activities in the Consolidated Staten of Comprehensive Income. While the Company may retain a portion of certain sold SBA a indirect automobile loans, its continuing involvement in the portion of the loan that was so limited to certain servicing responsibilities. When the Company sells a residential mortgag it does not retain any portion of that loan and it's continuing involvement in such transfers limited to certain servicing responsibilities. The Company is not required to provide additi financial support to any of these entities and has not provided any support it was not oblig provide.

When the contractually specified servicing fees on loans sold with servicing retained are e to be more than adequate compensation to a servicer for performing the servicing, a capita servicing asset is recognized. When the expected income to a servicer for performing loan servicing is not expected to adequately compensate a servicer, a capitalized servicing liabi recognized. Servicing assets and servicing liabilities are initially recorded on the Consolid Balance Sheets at fair value with the income statement effect recorded in gains on sales of In evaluating its servicing rights and estimating the fair value of the underlying loan pools on the present value of net future cash flows, management uses a number of assumptions a estimates including: prepayment speeds, discount rates commensurate with the risks invol potential credit losses, and comparable assumptions used by market participants to value a servicing rights available for sale in the market.

Servicing rights are subsequently measured using the amortization method which requires servicing rights to be amortized in proportion to, and over the period of, the estimated futu servicing income of the underlying loans. Servicing fee income, net of amortization of ser rights, is reported as part of noninterest income from mortgage banking activities, indirect activities, and SBA lending activities, as applicable, in the Consolidated Statements of Comprehensive Income. Servicing rights are tested for impairment on at least a quarterly b The fair values of servicing rights are subject to significant fluctuations as a result of chan estimated and actual prepayment speeds and default rates and losses. When the carrying va exceeds the fair value, impairment is recognized through a valuation allowance which redu servicing rights on the Consolidated Balance Sheets and reduces noninterest income from mortgage banking activities, indirect lending activities, and SBA lending activities in the Consolidated Statements of Comprehensive Income.

Derivative Financial Instruments

The Company maintains a risk management program to manage interest rate risk and prici associated with its mortgage banking activities which includes the use of forward contracts other derivatives as a normal part of its mortgage banking activities. The Company enters these derivative contracts to economically hedge risks associated with overall price risk re interest rate lock commitments ("IRLCs") and mortgage loans held-for-sale for which the option has been elected. Forward sales commitments are contracts for the delayed delivery settlement of the underlying instrument, such as a mortgage loan, where the seller agrees t deliver on a specified future date, either a specified instrument at a specified price or yield net cash equivalent of an underlying instrument. These hedges are used to preserve the Co position relative to future sales of mortgage loans to third parties in an effort to minimize t volatility of the expected gain on sale from changes in interest rate and the associated prici changes.

Derivatives expose the Company to credit risk. In the event the counterparty fails to perfor credit risk at that time would be equal to the net derivative asset position, if any, for that counterparty. The Company minimizes the credit or repayment risk in derivative instrumen entering into transactions with high-quality counterparties that are reviewed periodically. M counterparties are government sponsored enterprises.

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Derivatives are carried at fair value in the Consolidated Balance Sheets in other assets or o
liabilities with changes included in noninterest income from mortgage banking activities. F
value changes occur as a result of interest rate movements as well as changes in the value o
associated servicing. The Company's derivative contracts are not subject to master netting
arrangements.

Business Combinations, Acquired Loans, and FDIC Indemnification Asset

The Company accounts for its acquisitions under the acquisition method of accounting. Al
identifiable assets acquired, including loans, and liabilities assumed are recorded at fair va
the acquisition date. Acquisition-related costs are expensed separately from the acquisition
Restructuring costs that the acquirer expected but was not obligated to incur are expensed
separately from the business combination. The operating results of the Company include th
operating results of the acquisitions from the date of each respective acquisition forward.

No allowance for loan losses related to the acquired loans is recorded on the acquisition da
because the fair value of the acquired loans incorporates assumptions regarding credit risk
Acquired loans are recorded at fair value, exclusive of any loss share agreements with the
Deposit Insurance Corporation ("FDIC"). Fair value estimates associated with the loans in
estimates related to the amount and timing of expected principal, interest and other cash fl

Loans acquired in business combinations with evidence of credit quality deterioration sinc
origination and for which it is probable that all contractually required payments will not be
collected are considered to be purchased credit-impaired loans ("PCI Loans"). Evidence of
quality deterioration as of the purchase date may include information such as past-due and
nonaccrual status, borrower credit scores and recent loan to value percentages.

PCI loans are initially measured at fair value, which incorporates estimated future credit lo
expected to be incurred over the life of the loans. The Company estimates the amount and
of expected principal, interest and other cash flows for each PCI loan or pool of PCI loans
determines the excess of the scheduled contractual principal and interest payments over al
flows expected to be collected as an amount that should not be accreted (nonaccretable
difference). The remaining amount, representing the excess of the cash flows expected to b
collected over the fair value, is accreted into interest income over the remaining life of the
pool of loans (accretable yield). Probable and significant increases in cash flows for PCI lo
reduce the remaining nonaccretable difference before recalculating the amount of accretab
percentage for the loan pool.

Subsequent to the acquisition date, increases in cash flows on PCI loans expected to be rec
in excess of the Company's initial estimates result in the reversal of any previously recorde
provision for loan losses and related allowance for loan losses or are reclassified from
nonaccretable difference to accretable yield and are accreted into interest income on a leve
basis over the remaining life of the loan if no provision for loan losses had previously been
recorded. Decreases in cash flows expected to be collected are recognized as impairment t
the provision for loan losses.

Loans acquired through business combinations that do not meet the specific criteria of PCI
but for which a discount is attributable at least in part to credit quality, are also accounted
under this guidance. As a result, related discounts are recognized subsequently through acc
based on the expected cash flow of the acquired loans. For certain acquired loans, such as
credit (consumer and commercial), the discount is accreted through earnings based on esti
cash flows over the estimated life of the loan.

Certain loans and ORE acquired in FDIC-assisted transactions (collectively referred to as
"covered assets") are covered by Loss Share Agreements (“Loss Share Agreements”) betw
Bank and the FDIC, which affords the Bank significant protection against future losses. U
Loss Share Agreements, the Bank recorded a receivable from the FDIC equal to the reimb
portion of the estimated losses on the covered assets. The receivable ("FDIC indemnificati

asset") is measured separately from the covered assets as it is not contractually embedded
covered assets and not transferable with the covered assets should a decision be made to di
of them.

The fair value of the FDIC indemnification asset was estimated at the acquisition date usin
projected cash flows related to the Loss Share Agreements based on the expected reimburs
for losses and the applicable loss sharing percentages. These cash flows were discounted t
reflect the uncertainty of the timing and receipt of the expected FDIC reimbursements. Th
amounts do not include reimbursable amounts related to future covered expenditures. The
Company partially offsets any recorded provision for loan losses related to covered loans b
recording an increase in the FDIC indemnification asset based on the expected decrease in
cash flow of covered loans. An increase in cash flows on covered loans results in a decrea
the FDIC indemnification asset, which is recognized in the future as negative accretion thr
other noninterest income on the Consolidated Statements of Comprehensive Income over t
shorter of the remaining life of the FDIC indemnification asset or the underlying loans. Th
Company incurs expenses related to the covered assets, which are reimbursable as incurre
the Loss Share Agreements and are included in quarterly claims made by the Bank to the F

The Company has also recorded core deposit intangibles in connection with business
combinations, representing the value of the acquired core deposit base, and other identifia
intangible assets which are periodically evaluated for impairment and adjusted if appropri
Core deposit intangibles are amortized over their estimated useful lives, ranging up to 10 y

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Income Taxes
Income tax expense is the total of the current year income tax due or refundable and the ch
deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the
expected future tax consequences attributable to differences between the financial stateme
carrying amounts of existing assets and liabilities and their respective tax bases. Deferred t
assets and liabilities are measured using enacted tax rates expected to apply to taxable inco
the years in which those temporary differences are recovered or settled. The effect on defe
assets and liabilities of a change in tax rates is recognized in income in the period that incl
the enactment date.
In assessing the realization of the net deferred tax asset, management considers whether it
likely than not that some portion or all of the net deferred tax asset will not be realized. Th
ultimate realization of deferred tax assets is dependent on the generation of future taxable
during the periods in which those temporary differences become deductible. Management
considers the scheduled reversal of deferred tax liabilities, projected future taxable income
tax planning strategies by jurisdiction and entity in making this assessment.
A tax position is recognized as a benefit only if it is "more likely than not" that the tax pos
would be sustained in a tax examination, with a tax examination being presumed to occur.
Share-based Compensation
The Company uses the fair value method of recognizing expense for share-based compens
Compensation cost is measured at the grant date based on the value of the award and is
recognized on a straight-line basis over the vesting period.
Earnings Per Common Share ("EPS")
Basic EPS is computed by dividing income available to common equity by the weighted a
number of common shares outstanding during the period. Diluted EPS reflects the potentia
dilution that could occur if contracts (e.g., options) to issue common stock were converted
common stock. Potentially dilutive shares are determined using the treasury stock method.
Fair Value
Fair value is an exit price, representing the amount that would be received to sell an asset o
to transfer a liability in an orderly transaction between market participants. The Company
the fair value of its financial assets and liabilities based on three levels of the fair value hie
as described below:
Level 1 – Unadjusted quoted prices in active markets that are accessible at the measureme
for identical,
unrestricted assets or liabilities;
Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either
or indirectly;
Level 3 – Prices or valuation techniques that require inputs that are both significant to the
value measurement and
unobservable (i.e., supported by little or no market activity).
A financial instrument's level within the hierarchy is based on the lowest level of input tha
significant to the fair value measurement.
Adoption of New Accounting Standards and Newly Issued Not Yet Effective Accounting
Standards
In February 2015, the Financial Standards Board ("FASB") issued Accounting Standards U
("ASU") 2015-02 "Consolidation (Topic 810): Amendments to the Consolidation Analysis
amendments in this standard provide guidance for performing a consolidation analysis and
reporting entities will be within the scope of Topic 810. As a result, limited partnerships w
considered VIEs, unless a scope exception applies; three of the six criteria for determining
paid to a decision maker or service provider represent a variable interest were eliminated;
the extent to which related party arrangements cause an entity to be considered a primary

beneficiary, and eliminates the deferral of ASU 2009-17 for certain investment funds. The amendments are effective for entities during annual reporting periods beginning after Dece 15, 2015. Early adoption is permitted. The adoption of this ASU is not expected to have a significant impact on the Company's Consolidated Financial Statements.

In January 2015, the FASB issued ASU 2015-01 "Income Statement-Extraordinary and Un Items: Simplifying Income Statement Presentation by Eliminating the Concept of Extraord Items." The new guidance eliminates the concept of an extraordinary item. As a result, an will no longer segregate an extraordinary items from the results of ordinary operations; sep present an extraordinary on its income statement, net of tax, after income from continuing operations; and disclose income taxes and EPS data applicable to an extraordinary item. T does not affect the reporting and disclosure requirements for an event that is unusual in na that occurs infrequently. The amendments are effective for entities during annual reporting periods beginning after December 15, 2015, and interim reporting periods therein and thos requirements may be applied prospectively or retrospectively. Early adoption is permitted. adoption of this ASU is not expected to have a significant impact on the Company's Conso Financial Statements.

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In August 2014, the FASB issued ASU 2014-15 "Disclosure of Uncertainties about an Ent
Ability to Continue as a Going Concern." The amendments in this standard provide guidar
about management's responsibility to evaluate whether there is substantial doubt about an
ability to continue as a going concern and to provide related footnote disclosures. The
amendments will be effective for public entities during annual reporting periods beginning
December 15, 2016, and interim reporting periods therein and those requirements should b
applied retrospectively. Early adoption is not permitted. The adoption of this ASU is not e
to have a significant impact on the Company's Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-14 "Classification of Certain
Government-Guaranteed Mortgage Loans upon Foreclosure." The amendments in this gui
provide specific guidance on how to classify or measure foreclosed mortgage loans that ar
government guaranteed. The amendments will be effective for public entities during annua
reporting periods beginning after December 15, 2014, and interim reporting periods therei
those requirements should be applied retrospectively. Early adoption is not permitted. The
adoption of this ASU is not expected to have a significant impact on the Company's Conso
Financial Statements.

In June 2014, the FASB issued ASU 2014-11 "Repurchase-to-Maturity Transactions, Repu
Financings, and Disclosures." The new guidance requires entities to account for
repurchase-to-maturity transactions as secured borrowings, eliminates accounting guidanc
linked repurchase financing transactions, and expands disclosure requirements for certain
transfers of financial assets that are accounted for as sales and certain transfers accounted
secured borrowings. The amendments are effective for entities during annual reporting per
beginning after December 15, 2014, and interim reporting periods therein. The guidance sh
be applied by making a cumulative-effect adjustment to retained earnings as of the beginn
the period of adoption for any transactions outstanding on the effective date. Early adoptio
permitted. The adoption of this ASU is not expected to have a significant impact on the
Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers."
amendments in this guidance indicate that entities should recognize revenue to reflect the
transfers of goods or services to customers in an amount equal to the consideration the ent
receives or expects to receive. The amendments will be effective for entities during annual
reporting periods beginning after December 15, 2016, and interim reporting periods therei
those requirements should be applied retrospectively. Early adoption is not permitted. The
Company is continuing to evaluate the impact of this ASU.

In January 2014, the FASB issued ASU 2014-04 "Reclassification of Residential Real Est
Collateralized Consumer Mortgage Loans upon Foreclosure." The amendments clarify wh
in substance repossession or foreclosure occurs, such that the loan should be derecognized
real estate property should be recognized. The amendments will be effective for entities du
annual reporting periods beginning after December 15, 2014, and interim reporting period
therein and those requirements should be applied prospectively. Early adoption is permitte
adoption of this ASU is not expected to have a significant impact on the Company's Conso
Financial Statements.

In July 2013, the FASB issued ASU 2013-11 "Presentation of an Unrecognized Tax Benef
When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforwa
Exists". The amendments address the uniformity of the presentation of unrecognized tax b
The amendments in this guidance will be effective for entities during annual reporting peri
beginning after December 15, 2013, and interim reporting periods therein and those requir
should be applied prospectively to all unrecognized tax benefits that exist at the effective d
Early adoption was permitted. The adoption of this standard did not have a material impac
Company's Consolidated Financial Statements.

Other accounting standards that have been issued or proposed by the FASB or other standard-settings bodies are not expected to have a material impact on the Company financ position, results of operations or cash flows.

Subsequent Business Combination

On January 5, 2015, the Company acquired certain loans and deposits from the St. August Florida branch of Florida Capital Bank, N.A. Net cash proceeds of $30.7 million were rece the transaction, representing the deposit balances assumed at closing, net of amounts paid million for loans acquired in the transaction and a 1.75% premium on deposits. Customer d balances of $38.2 million and core deposit intangible of $689,000 were recorded in the transaction. The amount allocated to goodwill was insignificant.

2. Business Combinations

On September 19, 2014, the Company assumed the deposits of six branches of Center Stat of Florida, N.A. and acquired five of those branches pursuant to a definitive agreement ent into on June 5, 2014. No loans were acquired in the transaction. Net cash proceeds of approximately $162.0 million were received in the transaction, representing the deposit ba assumed at closing, net of amounts paid for real and personal property acquired and a 1.50% premium on deposits. Customer deposit balances assumed were recorded at $170. million, real and personal property was recorded at $7.2 million, core deposit intangible of million was recognized, and approximately $100,000 in other accrued liabilities, net were recorded in the transaction. The amount allocated to goodwill was insignificant.

On June 15, 2012, the Company entered into a purchase and assumption agreement with a share agreement with the FDIC, as receiver of Security Exchange Bank ("Security Exchan acquire certain assets and assume substantially all of the deposits and certain liabilities in a whole-bank acquisition. The Company received a cash payment from the FDIC of $14.9 m to assume the net liabilities. The estimated fair value of assets acquired, intangible assets a cash payment received from the FDIC exceeded the estimated fair value of the liabilities assumed, resulting in a pretax gain of $4.2 million for Security Exchange recorded in 2012 gain resulted from the discount bid on the assets acquired and the impact of the FDIC loss agreement. This gain was recorded in other noninterest income in the Consolidated Statem Comprehensive Income.

Under the loss share agreements, the FDIC has agreed to reimburse the Company for 80% losses incurred in connection with those covered assets for a period of five years for comm loans and other real estate and 80% of all losses incurred in connection with covered resid mortgage loans for a period of 10 years. New loans made after the date of the transaction a covered by the provisions of the loss share agreements. The Company also acquired other that are not covered by the loss share agreements, including investment securities purchase fair market value.

The acquired assets and liabilities for Security Exchange, as well as adjustments to record assets and liabilities at fair value at the acquisition date, are presented in the following tabl

(in thousands)	As Recorded by FDIC/Security Exchange	Fair Value Adjustments		As Reco by Fidel
Assets				
Cash and due from banks	$ 29,717	$—		$29,717
Investment securities	18,579	—		18,579
Loans	64,358	(17,147	)	47,211
FDIC indemnification asset	—	25,304		25,304
Core deposit intangible	—	406		406
Other real estate	45,594	(22,860	)	22,734
Other assets	7,628	(987	)	6,641
Total assets acquired	$ 165,876	$(15,284	)	$150,59
Liabilities				
Deposits	$ 146,457	$—		$146,45
Other liabilities	122	1,561		1,683
Total liabilities assumed	$ 146,579	$1,561		$148,14

Proforma comparative revenue for the combined Fidelity and Security Exchange was $170 million for the year ended, December 31, 2012. Proforma comparative pretax net income f combined Fidelity and Security Exchange was $34.8 million for the year ended December 2012.

Because the FDIC will reimburse the Company for 80% of losses incurred on the covered an indemnification asset (FDIC indemnification asset) was recorded at fair value at the acquisition date. The FDIC indemnification asset is adjusted quarterly based on changes in expected losses and remittances received.

A summary of activity for the FDIC indemnification asset, included in other assets in the Consolidated Balance Sheets, follows:

(in thousands)	For the Year Ended December 31, 2014	Dece 31, 20
Beginning balance	$14,136	$20,0
Adjustments:		

Accretion income	172	532
Amortization	(992)	(82
(Fewer) additional estimated covered losses	(1,602)	3,328
Loss share remittances	(4,595)	(8,17
Loans paid in full/ORE sold	(2,108)	(1,53
Ending balance	$5,011	$14,1

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3. Regulatory Matters

The Board of Governors of the Federal Reserve System (the “FRB”) is the primary regulat FSC, a bank holding company. The Bank is a state chartered commercial bank subject to F and state statutes applicable to banks chartered under the banking laws of the State of Geo and to banks whose deposits are insured by the FDIC. The FRB, the FDIC, and the Georgi Department of Banking and Finance (the “GDBF”) have established capital adequacy requ as a function of their oversight of bank holding companies and state chartered banks. Each holding company and each bank must maintain certain minimum capital ratios.

The Bank’s primary Federal regulator is the FDIC and the GDBF is its state regulator. The and the GDBF examine and evaluate the financial condition, operations, and policies and procedures of state chartered commercial banks, such as the Bank, as part of their legally prescribed oversight responsibilities. Additional supervisory powers and regulations mand the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) include corrective action” program based upon five regulatory categories in which all banks are pl largely based on their capital positions. Regulators are permitted to take increasingly harsh as a bank’s financial condition declines. Regulators are also empowered to place in receive require the sale of a bank to another institution when a bank’s leverage capital ratio declin or less. Better capitalized institutions are generally subject to less onerous regulation and supervision than banks with lesser amounts of capital.

To implement the prompt corrective action provisions of FDICIA, the FDIC has adopted regulations placing each financial institution in one of the following five categories based capitalization ratios: (i) a “well capitalized” institution has a total risk-based capital ratio o 10%, a Tier 1 risk-based ratio of at least 6% and a leverage ratio of at least 5% and is not s to an enforcement action requiring it to maintain a specific level of capital; (ii) an “adequa capitalized” institution has a total risk-based ratio of at least 8%, a Tier 1 risk-based ratio o least 4% and a leverage ratio of at least 4% (or 3% if it is rated a composite of 1 and is not experiencing or anticipating significant growth); (iii) an “undercapitalized” institution has risk-based ratio of under 8%, a Tier 1 risk-based ratio of under 4% or a leverage ratio of un 4% (or 3% in certain circumstances); (iv) a “significantly undercapitalized” institution has risk-based ratio of under 6%, a Tier 1 risk-based ratio of under 3% or leverage ratio of und and (v) a “critically undercapitalized” institution has a leverage ratio of 2% or less. Institut any of the three undercapitalized categories are prohibited from declaring dividends or ma capital distributions. The regulations also establish procedures for “downgrading” an instit lower capital category based on supervisory factors other than capital.

Leverage capital standards require a minimum ratio of Tier 1 capital to adjusted total asset (“leverage ratio”) for the Bank of 4.0%. Institutions experiencing or anticipating significan or those with other than minimum risk profiles may be expected to maintain capital above minimum levels.

The following table sets forth the capital requirements for the Bank under FDIC regulation the Bank’s capital ratios at December 31, 2014 and 2013.

					FDIC Regulatio		
	December 31,				Adequately		Wel
Capital Ratios:	2014		2013		Capitalized		Cap
Leverage	9.76	%	10.14	%	4.00	%	5.00
Risk-Based Capital:							
Tier 1	10.38	%	11.68	%	4.00	%	6.00
Total	11.69	%	13.39	%	8.00	%	10.0

The Company is not subject to the provisions of prompt corrective action. The FRB, as the primary regulator of FSC, has established minimum capital requirements as a function of i oversight of bank holding companies.

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The following table depicts FSC's capital ratios at December 31, 2014 and 2013, in relatio
minimum capital ratios established by the regulations of the FRB:

	December 31, 2014			December 31, 2	
($ in thousands)	Amount	Percent		Amount	Perc
Tier 1 Capital:					
Actual	$303,279	11.07	%	$277,886	12.7
Minimum	109,586	4.00	%	87,454	4.00
Excess	$193,693	7.07	%	$190,432	8.71
Total Risk-Based Capital:					
Actual	$329,143	12.01	%	$305,304	13.9
Minimum	219,246	8.00	%	174,959	8.00
Excess	$109,897	4.01	%	$130,345	5.96
Tier 1 Capital Leverage Ratio:					
Actual		10.40	%		11.0
Minimum		4.00	%		4.00
Excess		6.40	%		7.02

Generally, dividends that may be paid by the Bank to FSC are subject to certain regulatory
limitations. In particular, under Georgia banking law applicable to Georgia state chartered
commercial banks such as the Bank, the approval of the GDBF will be required if the total
dividends declared in any calendar year by the Bank exceeds 50% of the Bank's net profits
prior year or if certain other provisions relating to classified assets and capital adequacy ar
met. At December 31, 2014 and 2013, the Bank's total shareholders' equity was $291.0 m
$258.8 million, respectively. FSC invested no capital in the Bank during 2014 or 2013 in t
of capital infusions.

Also, under current Federal regulations, the Bank is limited in the amount it may loan to it
non-bank affiliates, including FSC. As of December 31, 2014 and 2013, there were no loa
outstanding from the Bank to FSC.

4. Investment Securities

Management's primary objective in managing the investment securities portfolio include
maintaining a portfolio of high quality investments with competitive returns while providi
pledging and liquidity needs within overall asset and liability management parameters. Th
Company is required under federal regulations to maintain adequate liquidity to ensure saf
sound operations. As such, management regularly evaluates the investment portfolio for ca
flows, the level of loan production, current interest rate risk strategies and the potential fut
direction of market interest rate changes. Individual investment securities differ in terms o
default, interest rate, liquidity and expected rate of return risk.

The following table summarizes the amortized cost and fair value of investment securities
related gross unrealized gains and losses at December 31, 2014 and 2013.

	December 31, 2014					
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Other Than Temporary Impairment	Fa
Investment securities available-for-sale:						
Obligations of U.S. Government sponsored enterprises	$25,717	$ 567	$—		$—	$2
Municipal securities	14,170	690	—		—	14,
Residential mortgage-backed securities	105,165	3,299	(18	)	—	10

Total available-for sale	$145,052	$4,556	$(18)	$—	$1
Investment securities held-to-maturity:					
Residential mortgage-backed securities	$3,072	$342	$—	$—	$3
Commercial mortgage-backed securities	4,277	—	—	—	4,2
Total held-to-maturity	$7,349	$342	$—	$—	$7

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	December 31, 2013				
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Other Than Temporary Impairment	Fa
Investment securities available-for-sale:					
Obligations of U.S. Government sponsored enterprises	$21,123	$4	$(88)	$—	$2
Municipal securities	14,699	240	(170)	—	14.
Residential mortgage-backed securities	131,481	2,049	(473)	—	13
Total available-for sale	$167,303	$2,293	$(731)	$—	$1
Investment securities held-to-maturity:					
Residential mortgage-backed securities	$4,051	$386	$—	$—	$4

The Company held 3 and 19 investment securities available fore sale that were in an unrea
loss position at December 31, 2014 and 2013, respectively. The following table reflects th
unrealized losses and fair values of the investment securities with unrealized losses, aggre
by investment category and length of time that individual securities have been in a continu
unrealized loss position. There were no investment securities held-to-maturity with unreali
losses at December 31, 2014 or 2013.

	December 31, 2014			
	12 Months or Less		More Than 12 Mor	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unre Loss
Investment securities available-for-sale:				
Obligations of U.S. Government sponsored enterprises	$—	$—	$—	$—
Municipal securities	—	—	—	—
Residential mortgage-backed securities	4,971	(6)	3,195	(12
Total available-for sale	$4,971	$(6)	$3,195	$(12

	December 31, 2013			
	12 Months or Less		More Than 12 Mor	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unre Loss
Investment securities available-for-sale:				
Obligations of U.S. Government sponsored enterprises	$20,521	$(88)	$—	$—
Municipal securities	4,131	(170)	—	—
Residential mortgage-backed securities	26,874	(473)	—	—
Total available-for sale	$51,526	$(731)	$—	$—

At December 31, 2014 and 2013, the unrealized losses on investment securities related to i
rate fluctuations. Management does not have the intent to sell the temporarily impaired sec
and it is not more likely than not that the Company will be required to sell the investments
recovery of the amortized cost. Accordingly, as of December 31, 2014, management belie
impairment detailed in the table above is temporary and no other-than-temporary impairm
has been recognized in the Company’s Consolidated Statements of Comprehensive Incom

The amortized cost and fair value of investment securities at December 31, 2014 and 2013 categorized in the following table by contractual maturity. Securities not due at a single m (i.e., mortgage-backed securities) are shown separately.

(in thousands)	December 31, 2014 Amortized Cost	December 31, 2014 Fair Value	December 31, Amortized Cost	Fai Va
Investment securities available-for-sale:				
Obligations of U.S. Government sponsored enterprises				
Due five years through ten years	$24,713	$25,210	$19,605	$1
Due after ten years	1,004	1,074	1,518	1,4
Municipal securities				
Due within one year	817	819	—	—
Due after one year through five years	885	895	1,716	1,7
Due five years through ten years	688	727	691	70
Due after ten years	11,780	12,419	12,292	12,
Residential mortgage-backed securities	105,165	108,446	131,481	13
Total available-for sale	$145,052	$149,590	$167,303	$1
Investment securities held-to-maturity:				
Residential mortgage-backed securities	$3,072	$3,414	$4,051	$4
Commercial mortgage-backed securities	4,277	4,277	—	—
Total held-to-maturity	$7,349	$7,691	$4,051	$4

There were no investment securities available-for-sale sold during 2014. For the investme securities available-for-sale that were sold or called during 2013, gross gains totaled $189, and there were no losses. For the investment securities available-for-sale that were sold or during 2012, gross gains totaled $355,000 and gross losses were $48,000. There were no s nor transfers from investment securities held-to-maturity during 2014, 2013, or 2012.

The following table summarizes the investment securities that were pledged as collateral a December 31, 2014 and 2013.

(in thousands)	December 31, 2014	201
Public deposits	$95,003	$10
Securities sold under repurchase agreements	18,778	21,2
Total pledged securities	$113,781	$12

5. Loans Held-for-Sale

The following table summarizes loans held-for-sale at December 31, 2014 and 2013.

(in thousands)	December 31, 2014	2013
Residential mortgage	$181,424	$127
SBA	12,511	9,516
Indirect automobile	175,000	50,00
Total loans held-for-sale	$368,935	$187

During 2014 and 2013, the Company transferred $4.1 million and $3.2 million, respective the held for investment residential mortgage portfolio.

The Company had $141.1 million and $97.2 million in residential mortgage loans held-fo pledged to the FHLB at December 31, 2014 and 2013, respectively.

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6. Loans

Loans outstanding, by class, are summarized in the following table and include net unamo
costs of $30.0 million and $22.1 million at December 31, 2014 and 2013, respectively.
Non-covered loans represent existing portfolio loans prior to the FDIC-assisted transactio
loans not covered under the Loss Share Agreements, and additional loans originated subse
to the FDIC-assisted transactions.

(in thousands)	Non-Covered December 31, 2014	December 31, 2013	Covered December 31, 2014	Decem 2013
Commercial	$502,938	$ 493,093	$21,207	$ 37,8
SBA	134,142	134,221	624	603
Total commercial loans	637,080	627,314	21,831	38,48
Construction	120,128	92,929	3,866	8,769
Indirect automobile	1,219,232	975,223	—	—
Installment	12,342	13,876	1,030	1,486
Total consumer loans	1,231,574	989,099	1,030	1,486
Residential mortgage	156,841	59,075	1,507	1,853
Home equity lines of credit	72,870	66,255	6,579	7,769
Total mortgage loans	229,711	125,330	8,086	9,622
Total loans	$2,218,493	$ 1,834,672	$34,813	$ 58,3

Loans in nonaccrual status are presented by class of loans in the following table.

(in thousands)	December 31, 2014	201
Commercial	$12,414	$11
SBA	10,637	15,
Total commercial loans	23,051	27,
Construction	7,031	9,0
Indirect automobile	715	80
Installment	623	72
Total consumer loans	1,338	1,5
Residential mortgage	2,299	1,9
Home equity lines of credit	1,137	94
Total mortgage loans	3,436	2,8
Total nonaccrual loans	$34,856	$4

If such nonaccrual loans had been on a full accrual basis, interest income on these loans w
have been approximately $1.5 million, $1.9 million and $2.1 million, in 2014, 2013, and 2
respectively. There was $827,000 in loans greater than 90 days delinquent and still accrui
December 31, 2014, with none greater than 90 days delinquent and still accruing at Decem
2013.

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Accruing loans delinquent 30-89 days and troubled debt restructured loans ("TDRs") accru
interest, presented by class of loans at December 31, 2014 and 2013, were as follows.

	December 31, 2014			December 31, 2013		
(in thousands)	Accruing Delinquent 30-89 Days	Accruing Delinquent 90 Days	TDRs Accruing	Accruing Delinquent 30-89 Days	Accruing Delinquent 90 Days	TDR Acc
Commercial	$316	$—	$9,521	$1,620	$—	$7,2
SBA	830	—	4,164	169	—	2,52
Construction	—	—	445	—	—	1,66
Indirect automobile	1,547	—	1,779	1,561	—	2,21
Installment	42	—	18	305	—	—
Residential mortgage	475	827	632	1,314	—	647
Home equity lines of credit	1,442	—	—	163	—	—
Total	$4,652	$827	$16,559	$5,132	$—	$14

TDR Loans

The following table presents loans, by class, which were modified as TDRs that occurred d
the years ended December 31, 2014 and 2013, along with the type of modification.

	Troubled Debt Restructured During the Year Ended December 31, 2014		Troubled Debt Res During the Year En December 31, 2013	
(in thousands)	Interest Rate	Term	Interest Rate	Term
Commercial	$ 2,506	$ —	$ 214	$ 707
SBA	—	—	—	—
Construction	—	—	—	—
Indirect automobile	—	748	—	1,019
Installment	122			