

UNIVEST CORP OF PENNSYLVANIA
Form 10-Q
August 03, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2018.

or
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____
Commission File Number: 0-7617

UNIVEST CORPORATION OF PENNSYLVANIA
(Exact name of registrant as specified in its charter)

Pennsylvania 23-1886144
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)
14 North Main Street, Souderton, Pennsylvania 18964
(Address of principal executive offices)(Zip Code)
Registrant's telephone number, including area code: (215) 721-2400
Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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

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

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

| | |
|-----------------------------|---|
| Common Stock, \$5 par value | 29,403,651 |
| (Title of Class) | (Number of shares outstanding at July 31, 2018) |

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNIVEST CORPORATION OF PENNSYLVANIA
CONDENSED CONSOLIDATED BALANCE SHEETS

| | (UNAUDITED) | |
|--|---------------------|----------------------------|
| (Dollars in thousands, except share data) | At June 30, 2018 | At December 31, 2017 |
| ASSETS | | |
| Cash and due from banks | \$54,409 | \$46,721 |
| Interest-earning deposits with other banks | 18,534 | 28,688 |
| Investment securities held-to-maturity (fair value \$94,642 and \$55,320 at June 30, 2018 and December 31, 2017, respectively) | 96,457 | 55,564 |
| Investment securities available-for-sale | 347,804 | 391,457 |
| Investments in equity securities | 2,672 | 7,061 |
| Federal Home Loan Bank, Federal Reserve Bank and other stock, at cost | 32,768 | 27,204 |
| Loans held for sale | 1,778 | 1,642 |
| Loans and leases held for investment | 3,818,398 | 3,620,067 |
| Less: Reserve for loan and lease losses | (25,652) | (21,555) |
| Net loans and leases held for investment | 3,792,746 | 3,598,512 |
| Premises and equipment, net | 60,529 | 61,797 |
| Goodwill | 172,559 | 172,559 |
| Other intangibles, net of accumulated amortization and fair value adjustments of \$23,613 and \$21,825 at June 30, 2018 and December 31, 2017, respectively | 12,809 | 13,909 |
| Bank owned life insurance | 109,527 | 108,246 |
| Accrued interest receivable and other assets | 46,589 | 41,502 |
| Total assets | \$4,749,181 | \$4,554,862 |
| LIABILITIES | | |
| Noninterest-bearing deposits | \$1,055,479 | \$1,040,026 |
| Interest-bearing deposits: | | |
| Demand deposits | 1,163,451 | 1,109,438 |
| Savings deposits | 807,461 | 830,706 |
| Time deposits | 594,395 | 574,749 |
| Total deposits | 3,620,786 | 3,554,919 |
| Short-term borrowings | 231,853 | 105,431 |
| Long-term debt | 155,556 | 155,828 |
| Subordinated notes | 94,453 | 94,331 |
| Accrued interest payable and other liabilities | 41,239 | 40,979 |
| Total liabilities | 4,143,887 | 3,951,488 |
| SHAREHOLDERS' EQUITY | | |
| Common stock, \$5 par value: 48,000,000 shares authorized at June 30, 2018 and December 31, 2017; 31,556,799 shares issued at June 30, 2018 and December 31, 2017; 29,406,450 and 29,334,859 shares outstanding at June 30, 2018 and December 31, 2017, respectively | 157,784 | 157,784 |
| Additional paid-in capital | 291,238 | 290,133 |
| Retained earnings | 226,574 | 216,761 |
| Accumulated other comprehensive loss, net of tax benefit | (28,007) | (17,771) |

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| | | |
|--|-------------|-------------|
| Treasury stock, at cost; 2,150,349 and 2,221,940 shares at June 30, 2018 and December 31, 2017, respectively | (42,295) | (43,533) |
| Total shareholders' equity | 605,294 | 603,374 |
| Total liabilities and shareholders' equity | \$4,749,181 | \$4,554,862 |

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------------|----------|---------------------------------|----------|
| (Dollars in thousands, except per share data) | 2018 | 2017 | 2018 | 2017 |
| Interest income | | | | |
| Interest and fees on loans and leases: | | | | |
| Taxable | \$40,637 | \$35,102 | \$78,587 | \$68,802 |
| Exempt from federal income taxes | 2,421 | 2,084 | 4,768 | 4,119 |
| Total interest and fees on loans and leases | 43,058 | 37,186 | 83,355 | 72,921 |
| Interest and dividends on investment securities: | | | | |
| Taxable | 2,268 | 1,833 | 4,457 | 3,521 |
| Exempt from federal income taxes | 477 | 576 | 945 | 1,175 |
| Interest on deposits with other banks | 148 | 38 | 224 | 55 |
| Interest and dividends on other earning assets | 509 | 397 | 1,013 | 754 |
| Total interest income | 46,460 | 40,030 | 89,994 | 78,426 |
| Interest expense | | | | |
| Interest on deposits | 4,542 | 2,461 | 8,233 | 4,652 |
| Interest on short-term borrowings | 958 | 325 | 1,603 | 587 |
| Interest on long-term debt and subordinated notes | 1,970 | 1,944 | 3,896 | 3,604 |
| Total interest expense | 7,470 | 4,730 | 13,732 | 8,843 |
| Net interest income | 38,990 | 35,300 | 76,262 | 69,583 |
| Provision for loan and lease losses | 15,409 | 2,766 | 17,462 | 5,211 |
| Net interest income after provision for loan and lease losses | 23,581 | 32,534 | 58,800 | 64,372 |
| Noninterest income | | | | |
| Trust fee income | 2,044 | 2,016 | 4,040 | 3,923 |
| Service charges on deposit accounts | 1,335 | 1,313 | 2,662 | 2,556 |
| Investment advisory commission and fee income | 3,778 | 3,333 | 7,461 | 6,514 |
| Insurance commission and fee income | 3,712 | 3,628 | 8,600 | 8,038 |
| Other service fee income | 2,431 | 2,245 | 4,600 | 4,232 |
| Bank owned life insurance income | 1,210 | 1,622 | 1,879 | 2,405 |
| Net gain on sales of investment securities | — | 21 | 10 | 36 |
| Net gain on mortgage banking activities | 942 | 1,537 | 1,658 | 2,650 |
| Other (loss) income | (138) | 294 | (14) | 625 |
| Total noninterest income | 15,314 | 16,009 | 30,896 | 30,979 |
| Noninterest expense | | | | |
| Salaries, benefits and commissions | 20,065 | 18,730 | 40,712 | 37,467 |
| Net occupancy | 2,533 | 2,684 | 5,290 | 5,349 |
| Equipment | 1,067 | 1,031 | 2,090 | 2,024 |
| Data processing | 2,091 | 2,081 | 4,323 | 4,139 |
| Professional fees | 1,331 | 1,248 | 2,686 | 2,487 |
| Marketing and advertising | 526 | 475 | 907 | 854 |
| Deposit insurance premiums | 452 | 451 | 843 | 853 |
| Intangible expenses | 594 | 446 | 1,206 | 1,205 |
| Restructuring charges | — | — | 571 | — |
| Other expense | 5,688 | 5,402 | 10,844 | 10,200 |
| Total noninterest expense | 34,347 | 32,548 | 69,472 | 64,578 |

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| | | | | |
|----------------------------|---------|----------|----------|----------|
| Income before income taxes | 4,548 | 15,995 | 20,224 | 30,773 |
| Income tax expense | 191 | 4,217 | 3,017 | 8,139 |
| Net income | \$4,357 | \$11,778 | \$17,207 | \$22,634 |
| Net income per share: | | | | |
| Basic | \$0.15 | \$0.44 | \$0.59 | \$0.85 |
| Diluted | 0.15 | 0.44 | 0.58 | 0.85 |
| Dividends declared | 0.20 | 0.20 | 0.40 | 0.40 |

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

| (Dollars in thousands) | Three Months Ended June 30, | | | | | |
|---|-----------------------------|-------------|------------|------------|-------------|------------|
| | 2018 | | 2017 | | | |
| | Before Tax | Tax Expense | Net of Tax | Before Tax | Tax Expense | Net of Tax |
| | Amount | (Benefit) | Amount | Amount | (Benefit) | Amount |
| Income | \$4,548 | \$ 191 | \$4,357 | \$15,995 | \$4,217 | \$11,778 |
| Other comprehensive (loss) income: | | | | | | |
| Net unrealized (losses) gains on available-for-sale investment securities: | | | | | | |
| Net unrealized holding (losses) gains arising during the period | (1,911) | (401) | (1,510) | 2,632 | 921 | 1,711 |
| Less: reclassification adjustment for net gains on sales realized in net income (1) | — | — | — | (21) | (8) | (13) |
| Total net unrealized (losses) gains on available-for-sale investment securities | (1,911) | (401) | (1,510) | 2,611 | 913 | 1,698 |
| Net unrealized gains (losses) on interest rate swaps used in cash flow hedges: | | | | | | |
| Net unrealized holding gains (losses) arising during the period | 154 | 32 | 122 | (92) | (31) | (61) |
| Less: reclassification adjustment for net losses realized in net income (2) | 6 | 1 | 5 | 36 | 12 | 24 |
| Total net unrealized gains (losses) on interest rate swaps used in cash flow hedges | 160 | 33 | 127 | (56) | (19) | (37) |
| Defined benefit pension plans: | | | | | | |
| Amortization of net actuarial loss included in net periodic pension costs (3) | 282 | 58 | 224 | 299 | 104 | 195 |
| Accretion of prior service cost included in net periodic pension costs (3) | (71) | (14) | (57) | (71) | (25) | (46) |
| Total defined benefit pension plans | 211 | 44 | 167 | 228 | 79 | 149 |
| Other comprehensive (loss) income | (1,540) | (324) | (1,216) | 2,783 | 973 | 1,810 |
| Total comprehensive income (loss) | \$3,008 | \$ (133) | \$3,141 | \$18,778 | \$5,190 | \$13,588 |

(1) Included in net gain on sales of investment securities on the consolidated statements of income (before tax amount).

(2) Included in interest expense on deposits on the consolidated statements of income (before tax amount).

(3) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost (before tax amount). See Note 8, "Retirement Plans and Other Postretirement Benefits" for additional details.

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

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| (Dollars in thousands) | Six Months Ended June 30, | | | | | |
|---|---------------------------|-----------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|
| | 2018 | | | 2017 | | |
| | Before Tax Amount | Tax Expense (Benefit) | Net of Tax Amount | Before Tax Amount | Tax Expense (Benefit) | Net of Tax Amount |
| Income | \$20,224 | \$3,017 | \$17,207 | \$30,773 | \$8,139 | \$22,634 |
| Other comprehensive (loss) income: | | | | | | |
| Net unrealized (losses) gains on available-for-sale investment securities: | | | | | | |
| Net unrealized holding (losses) gains arising during the period | (8,249) | (1,732) | (6,517) | 3,052 | 1,068 | 1,984 |
| Less: reclassification adjustment for net gains on sales realized in net income (1) | (10) | (2) | (8) | (36) | (13) | (23) |
| Total net unrealized (losses) gains on available-for-sale investment securities | (8,259) | (1,734) | (6,525) | 3,016 | 1,055 | 1,961 |
| Net unrealized gains on interest rate swaps used in cash flow hedges: | | | | | | |
| Net unrealized holding gains (losses) arising during the period | 366 | 77 | 289 | (85) | (29) | (56) |
| Less: reclassification adjustment for net losses realized in net income (2) | 26 | 5 | 21 | 107 | 37 | 70 |
| Total net unrealized gains on interest rate swaps used in cash flow hedges | 392 | 82 | 310 | 22 | 8 | 14 |
| Defined benefit pension plans: | | | | | | |
| Amortization of net actuarial loss included in net periodic pension costs (3) | 563 | 117 | 446 | 598 | 209 | 389 |
| Accretion of prior service cost included in net periodic pension costs (3) | (142) | (29) | (113) | (141) | (49) | (92) |
| Total defined benefit pension plans | 421 | 88 | 333 | 457 | 160 | 297 |
| Other comprehensive (loss) income | (7,446) | (1,564) | (5,882) | 3,495 | 1,223 | 2,272 |
| Total comprehensive income | \$12,778 | \$1,453 | \$11,325 | \$34,268 | \$9,362 | \$24,906 |

(1) Included in net gain on sales of investment securities on the consolidated statements of income (before tax amount).

(2) Included in interest expense on deposits on the consolidated statements of income (before tax amount).

(3) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost (before tax amount). See Note 8, "Retirement Plans and Other Postretirement Benefits" for additional details.

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

| (Dollars in thousands, except share and per share data) | Common Shares Outstanding | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total |
|--|---------------------------|--------------|----------------------------|-------------------|---|----------------|------------|
| Six Months Ended June 30, 2018 | | | | | | | |
| Balance at December 31, 2017 | 29,334,859 | \$ 157,784 | \$ 290,133 | \$ 216,761 | \$ (17,771) | \$(43,533) | \$ 603,374 |
| Adjustment to initially apply ASU No. 2016-01 for equity securities measured at fair value (1) | — | — | — | 433 | (433) | — | — |
| Adjustment to initially apply ASU No. 2018-02 for reclassification of stranded net tax charges (1) | — | — | — | 3,921 | (3,921) | — | — |
| Net income | — | — | — | 17,207 | — | — | 17,207 |
| Other comprehensive loss, net of income tax benefit | — | — | — | — | (5,882) | — | (5,882) |
| Cash dividends declared (\$0.40 per share) | — | — | — | (11,749) | — | — | (11,749) |
| Stock issued under dividend reinvestment and employee stock purchase plans | 41,939 | — | 98 | 1 | — | 1,074 | 1,173 |
| Exercise of stock options | 36,990 | — | (14) | — | — | 725 | 711 |
| Stock-based compensation | — | — | 1,719 | — | — | — | 1,719 |
| Purchases of treasury stock | (44,353) | — | — | — | — | (1,259) | (1,259) |
| Restricted stock awards granted, net of cancellations | 37,015 | — | (698) | — | — | 698 | — |
| Balance at June 30, 2018 | 29,406,450 | \$ 157,784 | \$ 291,238 | \$ 226,574 | \$ (28,007) | \$(42,295) | \$ 605,294 |
| (Dollars in thousands, except share and per share data) | Common Shares Outstanding | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Treasury Stock | Total |
| Six Months Ended June 30, 2017 | | | | | | | |
| Balance at December 31, 2016 | 26,589,353 | \$ 144,559 | \$ 230,494 | \$ 194,516 | \$ (19,454) | \$(44,906) | \$ 505,209 |
| Net income | — | — | — | 22,634 | — | — | 22,634 |
| Other comprehensive income, net of income tax | — | — | — | — | 2,272 | — | 2,272 |
| Cash dividends declared (\$0.40 per share) | — | — | — | (10,652) | — | — | (10,652) |
| Stock issued under dividend reinvestment and employee stock purchase plans | 43,415 | — | 72 | — | — | 1,157 | 1,229 |
| Exercise of stock options | 73,870 | — | (105) | — | — | 1,433 | 1,328 |
| Stock-based compensation | — | — | 1,708 | — | — | — | 1,708 |
| Purchases of treasury stock | (83,970) | — | — | — | — | (2,422) | (2,422) |
| | 45,323 | — | (880) | — | — | 880 | — |

Restricted stock awards granted,
net of cancellations

| | | | | | | | |
|--------------------------|------------|------------|------------|------------|--------------|------------|------------|
| Balance at June 30, 2017 | 26,667,991 | \$ 144,559 | \$ 231,289 | \$ 206,498 | \$ (17,182) | \$(43,858) | \$ 521,306 |
|--------------------------|------------|------------|------------|------------|--------------|------------|------------|

(1) See Note 1, "Summary of Significant Accounting Policies - Accounting Pronouncements Adopted in 2018" for additional information.

Note: See accompanying notes to the unaudited condensed consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

| | Six Months Ended | |
|--|------------------|-----------|
| | June 30, | |
| (Dollars in thousands) | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$17,207 | \$22,634 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan and lease losses | 17,462 | 5,211 |
| Depreciation of premises and equipment | 2,795 | 2,730 |
| Net amortization of investment securities premiums and discounts | 779 | 959 |
| Net gain on sales of investment securities | (10) | (36) |
| Net gain on mortgage banking activities | (1,658) | (2,650) |
| Bank owned life insurance income | (1,879) | (2,405) |
| Net accretion of acquisition accounting fair value adjustments | (495) | (1,508) |
| Stock-based compensation | 1,719 | 1,708 |
| Intangible expenses | 1,206 | 1,205 |
| Other adjustments to reconcile net income to cash (used in) provided by operating activities | 190 | (293) |
| Originations of loans held for sale | (61,508) | (64,035) |
| Proceeds from the sale of loans held for sale | 63,076 | 69,847 |
| Contributions to pension and other postretirement benefit plans | (133) | (138) |
| (Increase) decrease in accrued interest receivable and other assets | (3,089) | 1,340 |
| Increase (decrease) in accrued interest payable and other liabilities | 814 | (1,965) |
| Net cash provided by operating activities | 36,476 | 32,604 |
| Cash flows from investing activities: | | |
| Net capital expenditures | (1,347) | (4,622) |
| Proceeds from maturities, calls and principal repayments of securities held-to-maturity | 4,253 | 10,595 |
| Proceeds from maturities, calls and principal repayments of securities available-for-sale | 34,824 | 29,603 |
| Proceeds from sales of securities available-for-sale | 1,010 | 3,032 |
| Purchases of investment securities held-to-maturity | (45,349) | (29,498) |
| Purchases of investment securities available-for-sale | (1,485) | (8,476) |
| Proceeds from sales of money market mutual funds | 10,706 | 12,020 |
| Purchases of money market mutual funds | (6,284) | (16,768) |
| Net increase in other investments | (5,564) | (6,637) |
| Net increase in loans and leases | (211,534) | (225,682) |
| Net decrease (increase) in interest-earning deposits | 10,154 | (3,168) |
| Proceeds from sales of other real estate owned | 21 | 3,612 |
| Purchases of bank owned life insurance | (776) | — |
| Proceeds from bank owned life insurance | 1,374 | 2,916 |
| Net cash used in investing activities | (209,997) | (233,073) |
| Cash flows from financing activities: | | |
| Net increase in deposits | 65,963 | 90,796 |
| Net increase in short-term borrowings | 126,422 | 35,555 |
| Proceeds from issuance of long-term debt | — | 95,000 |
| Repayment of long-term debt | — | (5,000) |
| Payment of contingent consideration on acquisitions | (67) | (5,317) |
| Purchases of treasury stock | (1,259) | (2,422) |
| Stock issued under dividend reinvestment and employee stock purchase plans | 1,173 | 1,229 |

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|--|-----------|-----------|
| Proceeds from exercise of stock options | 711 | 1,328 |
| Cash dividends paid | (11,734) | (10,636) |
| Net cash provided by financing activities | 181,209 | 200,533 |
| Net increase in cash and due from banks | 7,688 | 64 |
| Cash and due from banks at beginning of year | 46,721 | 48,757 |
| Cash and due from banks at end of period | \$54,409 | \$48,821 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$13,190 | \$9,685 |
| Cash paid for income taxes, net of refunds | 1,060 | 5,942 |
| Non cash transactions: | | |
| Transfer of loans to other real estate owned | \$402 | \$653 |
| Note: See accompanying notes to the unaudited condensed consolidated financial statements. | | |

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UNIVEST CORPORATION OF PENNSYLVANIA AND SUBSIDIARIES

Notes to the Condensed Unaudited Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Univest Corporation of Pennsylvania (the Corporation or Univest) and its wholly owned subsidiaries. The Corporation's direct subsidiary is Univest Bank and Trust Co. (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation. The unaudited interim consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations for interim financial information. The accompanying unaudited consolidated financial statements reflect all adjustments which are of a normal recurring nature and are, in the opinion of management, necessary for a fair presentation of the financial statements for the interim periods presented. Certain prior period amounts have been reclassified to conform to the current-year presentation. Operating results for the six-month period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ended December 31, 2018 or for any other period. It is suggested that these unaudited consolidated financial statements be read in conjunction with the audited financial statements and the notes thereto included in the registrant's Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on March 1, 2018.

Use of Estimates

The preparation of the unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes include fair value measurement of investment securities available-for-sale, reserve for loan and lease losses and purchase accounting.

Accounting Pronouncements Adopted in 2018

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This ASU clarifies the accounting treatment of the reclassification of certain income tax effects within accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act. The Corporation elected to early adopt this guidance effective January 1, 2018 for all stranded tax effects resulting from tax reform and reclassified stranded tax effects, totaling \$3.9 million, from accumulated other comprehensive income to retained earnings. The Corporation's policy for releasing income tax effects from accumulated other comprehensive income is to release such effects on an individual basis as each item is liquidated, sold or extinguished. See Note 10, "Accumulated Other Comprehensive (Loss) Income" for additional detail.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The amendments in this ASU require that an employer that sponsors defined benefit pension plans and other postretirement plans present the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are not used, the line item or items used in the income statement to present the other components of net benefit cost must be disclosed. The Corporation adopted this guidance effective January 1, 2018 with retrospective application for prior period presentation. Effective January 1, 2018, components of net benefit income other than the service cost component are presented in the Corporation's statement of income in other noninterest expense rather than in salaries, benefits and commission expense. Prior period components of net benefit income other than the service cost component were reclassified to other noninterest expense in the Corporation's statement of income.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The ASU requires equity investments to be measured at fair value with changes in fair value recognized in net income. At December 31, 2017, the Corporation had financial services equity securities with a carrying value of \$1.1 million which included an unrealized net gain of \$666 thousand. At December 31, 2017, \$433 thousand

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was recorded in accumulated other comprehensive income which represented the unrealized net gain, net of income taxes, based on the Corporation's statutory tax rate as of December 31, 2017. In addition, at December 31, 2017, the Corporation had money market mutual funds with a fair value and amortized cost of \$6.0 million which were reclassified to equity securities under this guidance. The Corporation adopted this guidance effective January 1, 2018 with a cumulative-effect adjustment to the balance sheet as of January 1, 2018. The balance in accumulated other comprehensive income of \$433 thousand was reclassified to retained earnings effective January 1, 2018. The carrying value of the equity securities, at January 1, 2018, did not change; however, any future increases or decreases in fair value is recorded as an increase or decrease to the carrying value and recognized in other noninterest income. During the six months ended June 30, 2018, the Corporation recognized a \$33 thousand net gain on equity securities in other noninterest income.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" and subsequent related updates. The Corporation adopted the guidance effective January 1, 2018 using the modified retrospective method though no adjustments were made to retained earnings as a result of the adoption. The Corporation provided expanded disclosures related to recognition of revenue from contracts with customers. See Note 14, "Revenue from Contracts with Customers."

Recent Accounting Pronouncements Yet to Be Adopted

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." The amendments in this update expand and refine hedge accounting for both non-financial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. Additional hedging strategies permitted for hedge accounting include: hedges of contractually-specified price components of commodity purchases or sales, hedges of the benchmark rate component of the contractual coupon cash flows of fixed-rate assets or liabilities, hedges of the portion of a closed portfolio of prepayable assets not expected to prepay, and partial-term hedges of fixed-rate assets or liabilities. The ASU amends the presentation and disclosure requirements and changes how entities assess effectiveness. The ASU eliminates the requirement to separately measure and report hedge ineffectiveness and requires all items that affect earnings be presented in the same income statement line as the hedged items. After initial qualification, the new guidance permits a qualitative effectiveness assessment for certain hedges instead of a quantitative test, such as a regression analysis, if the entity can reasonably support an expectation of high effectiveness throughout the term of the hedge. An initial quantitative test to establish that the hedge relationship is highly effective is still required. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities, or January 1, 2019 for the Corporation. Early adoption is permitted, including an interim period. The amended presentation and disclosure guidance is required only prospectively. The Corporation does not expect the adoption of this ASU will have a material impact on the Corporation's financial statements.

In March 2017, the FASB issued ASU No. 2017-08, "Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." This ASU shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, or January 1, 2019 for the Corporation. Early adoption is permitted, including an interim period. This ASU is to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Corporation does not expect the adoption of this ASU will have a material impact on the Corporation's financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." This ASU eliminates Step 2 of the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the new guidance, an entity should perform its annual, or interim, goodwill impairment test by

comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. Public business entities that are SEC filers should adopt the amendments in this ASU for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, or for the Corporation's goodwill impairment test in 2020. Early adoption is permitted for goodwill impairment tests with measurement dates after January 1, 2017. The Corporation does not expect the adoption of this ASU will have a material impact on the Corporation's financial statements.

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In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This ASU requires businesses and other organizations to measure the current expected credit losses (CECL) on financial assets, such as loans, net investments in leases, certain debt securities, bond insurance and other receivables. The amendments affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. Current GAAP requires an incurred loss methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. The amendments in this ASU replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonableness and supportable information to inform credit loss estimates. An entity should apply the amendments through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (modified-retrospective approach). Acquired credit impaired loans for which the guidance in Accounting Standards Codification (ASC) Topic 310-30 has been previously applied should prospectively apply the guidance in this ASU. A prospective transition approach is required for debt securities for which an other-than-temporary impairment has been recognized before the effective date. The ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those years for public business entities that are SEC filers, or January 1, 2020 for the Corporation. The Corporation is in the process of evaluating the impact of the adoption of this guidance on the Corporation's financial statements; however, it is anticipated that the reserve for loan and lease losses will increase upon adoption of CECL and that the increased reserve level will decrease shareholders' equity and regulatory capital and ratios.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" to revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. Disclosures will be required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. An entity that elects to apply the practical expedients will, in effect, continue to account for leases that commence before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The ASU is effective for the first interim period within annual periods beginning after December 15, 2018, or January 1, 2019, with early adoption permitted. The Corporation is in the process of evaluating the impact of the adoption of this guidance on the Corporation's financial statements; however, the adoption of this ASU will impact the balance sheet by the recording of lease liabilities and right-of-use assets associated with operating leases; any initial or continued impact of the recording of assets will have a negative impact on all Corporation and Bank capital ratios under current regulatory guidance and possibly equity ratios.

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Note 2. Earnings per Share

The Corporation uses the two-class method to calculate earnings per share as the unvested restricted stock issued under the Corporation's equity incentive plans are participating shares with nonforfeitable rights to dividends. Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities based on the number of weighted average shares outstanding during the period. The table also notes anti-dilutive options which are those options with weighted average exercise prices in excess of the weighted average market value for the periods presented.

The following table sets forth the computation of basic and diluted earnings per share:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------------|----------|------------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| (Dollars and shares in thousands, except per share data) | | | | |
| Numerator: | | | | |
| Net income | \$4,357 | \$11,778 | \$17,207 | \$22,634 |
| Net income allocated to unvested restricted stock | (33) | (122) | (132) | (234) |
| Net income allocated to common shares | \$4,324 | \$11,656 | \$17,075 | \$22,400 |
| Denominator: | | | | |
| Weighted average shares outstanding | 29,404 | 26,661 | 29,380 | 26,647 |
| Average unvested restricted stock | (228) | (281) | (221) | (284) |
| Denominator for basic earnings per share—weighted-average shares outstanding | 29,176 | 26,380 | 29,159 | 26,363 |
| Effect of dilutive securities—employee stock options | 95 | 97 | 95 | 100 |
| Denominator for diluted earnings per share—adjusted weighted-average shares outstanding | 29,271 | 26,477 | 29,254 | 26,463 |
| Basic earnings per share | \$0.15 | \$0.44 | \$0.59 | \$0.85 |
| Diluted earnings per share | \$0.15 | \$0.44 | \$0.58 | \$0.85 |
| Average anti-dilutive options excluded from computation of diluted earnings per share | 369 | 188 | 294 | 157 |

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Note 3. Investment Securities

The following table shows the amortized cost and the estimated fair value of the held-to-maturity securities and available-for-sale securities at June 30, 2018 and December 31, 2017, by contractual maturity within each type:

| (Dollars in thousands) | At June 30, 2018 | | | | At December 31, 2017 | | | |
|--|------------------|------------------------|-------------------------|------------|----------------------|------------------------|-------------------------|------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Securities Held-to-Maturity | | | | | | | | |
| U.S. government corporations and agencies: | | | | | | | | |
| After 1 year to 5 years | \$6,996 | \$ — | \$(183) |) \$6,813 | \$6,995 | \$ — | \$(77) |) \$6,918 |
| | 6,996 | — | (183) |) 6,813 | 6,995 | — | (77) |) 6,918 |
| Residential mortgage-backed securities: | | | | | | | | |
| After 5 years to 10 years | 12,838 | — | (206) |) 12,632 | 8,944 | — | (51) |) 8,893 |
| Over 10 years | 76,623 | — | (1,426) |) 75,197 | 39,625 | 44 | (160) |) 39,509 |
| | 89,461 | — | (1,632) |) 87,829 | 48,569 | 44 | (211) |) 48,402 |
| Total | \$96,457 | \$ — | \$(1,815) |) \$94,642 | \$55,564 | \$ 44 | \$(288) |) \$55,320 |
| Securities Available-for-Sale | | | | | | | | |
| U.S. government corporations and agencies: | | | | | | | | |
| Within 1 year | \$5,020 | \$ — | \$(31) |) \$4,989 | \$1,499 | \$ — | \$(3) |) \$1,496 |
| After 1 year to 5 years | 10,482 | — | (132) |) 10,350 | 15,590 | — | (125) |) 15,465 |
| | 15,502 | — | (163) |) 15,339 | 17,089 | — | (128) |) 16,961 |
| State and political subdivisions: | | | | | | | | |
| Within 1 year | 5,562 | — | (5) |) 5,557 | 2,721 | 1 | (6) |) 2,716 |
| After 1 year to 5 years | 14,538 | 29 | (43) |) 14,524 | 16,787 | 33 | (44) |) 16,776 |
| After 5 years to 10 years | 46,800 | 436 | (438) |) 46,798 | 54,846 | 897 | (73) |) 55,670 |
| Over 10 years | 3,120 | — | (89) |) 3,031 | 3,120 | 15 | — |) 3,135 |
| | 70,020 | 465 | (575) |) 69,910 | 77,474 | 946 | (123) |) 78,297 |
| Residential mortgage-backed securities: | | | | | | | | |
| After 1 year to 5 years | 5,496 | — | (93) |) 5,403 | 3,913 | 12 | (26) |) 3,899 |
| After 5 years to 10 years | 56,238 | 8 | (2,082) |) 54,164 | 51,428 | 5 | (852) |) 50,581 |
| Over 10 years | 110,422 | 29 | (4,409) |) 106,042 | 133,237 | 87 | (2,383) |) 130,941 |
| | 172,156 | 37 | (6,584) |) 165,609 | 188,578 | 104 | (3,261) |) 185,421 |
| Collateralized mortgage obligations: | | | | | | | | |
| After 5 years to 10 years | 1,883 | — | (105) |) 1,778 | 2,103 | — | (82) |) 2,021 |
| Over 10 years | 1,414 | — | (21) |) 1,393 | 1,567 | 14 | — |) 1,581 |
| | 3,297 | — | (126) |) 3,171 | 3,670 | 14 | (82) |) 3,602 |
| Corporate bonds: | | | | | | | | |
| Within 1 year | 2,510 | — | (18) |) 2,492 | 10,006 | — | (5) |) 10,001 |
| After 1 year to 5 years | 23,835 | 17 | (471) |) 23,381 | 24,885 | 20 | (147) |) 24,758 |
| After 5 years to 10 years | 15,657 | 5 | (532) |) 15,130 | 16,669 | 71 | (296) |) 16,444 |
| Over 10 years | 60,000 | — | (7,228) |) 52,772 | 60,000 | — | (4,027) |) 55,973 |
| | 102,002 | 22 | (8,249) |) 93,775 | 111,560 | 91 | (4,475) |) 107,176 |
| Equity securities:* | | | | | | | | |
| No stated maturity | N/A | N/A | N/A | N/A | 6,395 | 667 | (1) |) 7,061 |

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| | | | | | | | | | |
|-------|-----------|--------|------------|-----------|-----------|----------|-----------|---|-----------|
| | N/A | N/A | N/A | N/A | 6,395 | 667 | (1 |) | 7,061 |
| Total | \$362,977 | \$ 524 | \$(15,697) | \$347,804 | \$404,766 | \$ 1,822 | \$(8,070) |) | \$398,518 |

* Equity securities at December 31, 2017 include \$6.0 million of money market mutual funds and \$1.1 million of financial services equity securities. In accordance with ASU 2016-01, beginning January 1, 2018, such amounts were reclassified from investment securities available-for-sale to investments in equity securities on the Corporation's Condensed Consolidated Balance Sheets.

Expected maturities may differ from contractual maturities because debt issuers may have the right to call or prepay obligations without call or prepayment penalties and mortgage-backed securities typically prepay at a rate faster than contractually due.

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Securities with a carrying value of \$355.0 million and \$345.1 million at June 30, 2018 and December 31, 2017, respectively, were pledged to secure public deposits and other contractual obligations. In addition, securities of \$295 thousand and \$1.8 million were pledged to secure credit derivatives and interest rate swaps at June 30, 2018 and December 31, 2017, respectively. See Note 11, "Derivative Instruments and Hedging Activities" for additional information.

The following table presents information related to sales of securities available-for-sale during the six months ended June 30, 2018 and 2017:

| (Dollars in thousands) | Six Months | |
|--|----------------|---------|
| | Ended June 30, | |
| | 2018 | 2017 |
| Securities available-for-sale: | | |
| Proceeds from sales | \$1,010 | \$3,032 |
| Gross realized gains on sales | 10 | 36 |
| Tax expense related to net realized gains on sales | 2 | 13 |

At June 30, 2018 and December 31, 2017, there were no investments in any single non-federal issuer representing more than 10% of shareholders' equity.

The following table shows the fair value of securities that were in an unrealized loss position at June 30, 2018 and December 31, 2017 by the length of time those securities were in a continuous loss position. For the investment securities in an unrealized loss position, the Corporation has concluded, based on its analysis, that the unrealized losses are primarily caused by the movement of interest rates and current market conditions. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the par value of the investment. It is more likely than not that the Corporation will not be required to sell the investments before a recovery of carrying value.

| (Dollars in thousands) | Less than Twelve Months | | Twelve Months or Longer | | Total | |
|---|----------------------------|----------------------|----------------------------|----------------------|---------------|----------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| At June 30, 2018 | | | | | | |
| Securities Held-to-Maturity | | | | | | |
| U.S. government corporations and agencies | \$6,813 | \$(183) | \$— | \$— | \$6,813 | \$(183) |
| Residential mortgage-backed securities | 87,829 | (1,632) | — | — | 87,829 | (1,632) |
| Total | \$94,642 | \$(1,815) | \$— | \$— | \$94,642 | \$(1,815) |
| Securities Available-for-Sale | | | | | | |
| U.S. government corporations and agencies | \$5,121 | \$(58) | \$10,218 | \$(105) | \$15,339 | \$(163) |
| State and political subdivisions | 29,012 | (521) | 7,449 | (54) | 36,461 | (575) |
| Residential mortgage-backed securities | 35,367 | (931) | 128,118 | (5,653) | 163,485 | (6,584) |
| Collateralized mortgage obligations | 1,393 | (21) | 1,778 | (105) | 3,171 | (126) |
| Corporate bonds | 22,589 | (534) | 67,665 | (7,715) | 90,254 | (8,249) |
| Total | \$93,482 | \$(2,065) | \$215,228 | \$(13,632) | \$308,710 | \$(15,697) |
| At December 31, 2017 | | | | | | |
| Securities Held-to-Maturity | | | | | | |
| U.S. government corporations and agencies | \$6,919 | \$(77) | \$— | \$— | \$6,919 | \$(77) |
| Residential mortgage-backed securities | 40,881 | (211) | — | — | 40,881 | (211) |
| Total | \$47,800 | \$(288) | \$— | \$— | \$47,800 | \$(288) |
| Securities Available-for-Sale | | | | | | |
| U.S. government corporations and agencies | \$5,213 | \$(38) | \$11,749 | \$(90) | \$16,962 | \$(128) |
| State and political subdivisions | 18,457 | (91) | 6,332 | (32) | 24,789 | (123) |
| Residential mortgage-backed securities | 32,217 | (210) | 141,371 | (3,051) | 173,588 | (3,261) |

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| | | | | | | | | | |
|-------------------------------------|----------|----------|-------|-----------|----------|-------|-----------|----------|---|
| Collateralized mortgage obligations | — | — | 2,021 | (82 |) | 2,021 | (82 |) | |
| Corporate bonds | 18,464 | (1,016 |) | 71,957 | (3,459 |) | 90,421 | (4,475 |) |
| Equity securities | — | (1 |) | 4 | — | 4 | (1 |) | |
| Total | \$74,351 | \$(1,356 |) | \$233,434 | \$(6,714 |) | \$307,785 | \$(8,070 |) |

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At June 30, 2018, gross unrealized losses for securities in an unrealized loss position for twelve months or longer, totaled \$13.6 million. Three federal agency bonds, twelve investment grade corporate bonds, 105 federal agency residential mortgage securities, nine investment grade municipal bonds and one collateralized mortgage obligation bond had respective unrealized loss positions of \$105 thousand, \$7.7 million, \$5.7 million, \$54 thousand and \$105 thousand, respectively. The fair value of these 130 securities fluctuate with changes in market conditions which for these underlying securities is primarily due to changes in the interest rate environment. The Corporation does not intend to sell the securities in an unrealized loss position and is unlikely to be required to sell these securities before a recovery of fair value, which may be maturity. Upon review of the attributes of the individual securities, the Corporation concluded these securities were not other-than-temporarily impaired. The Corporation did not recognize any other-than-temporary impairment charges on debt securities for the six months ended June 30, 2018 and 2017.

In conjunction with the adoption of ASU 2016-01, the Corporation recognized a \$33 thousand net gain on equity securities during the six months ended June 30, 2018 in other noninterest income and the net unrealized gain on equity securities held at June 30, 2018 was \$33 thousand. See Note 1, "Summary of Significant Accounting Policies - Accounting Pronouncements Adopted in 2018" for additional information.

Note 4. Loans and Leases

Summary of Major Loan and Lease Categories

| (Dollars in thousands) | At June 30, 2018 | | |
|--|------------------|-----------|-------------|
| | Originated | Acquired | Total |
| Commercial, financial and agricultural | \$880,961 | \$45,199 | \$926,160 |
| Real estate-commercial | 1,373,093 | 270,551 | 1,643,644 |
| Real estate-construction | 204,602 | 4,284 | 208,886 |
| Real estate-residential secured for business purpose | 267,014 | 71,698 | 338,712 |
| Real estate-residential secured for personal purpose | 296,734 | 54,689 | 351,423 |
| Real estate-home equity secured for personal purpose | 175,351 | 9,909 | 185,260 |
| Loans to individuals | 31,048 | 143 | 31,191 |
| Lease financings | 133,122 | — | 133,122 |
| Total loans and leases held for investment, net of deferred income | \$3,361,925 | \$456,473 | \$3,818,398 |
| Unearned lease income, included in the above table | \$(14,700) | \$— | \$(14,700) |
| Net deferred costs, included in the above table | 4,060 | — | 4,060 |
| Overdraft deposits included in the above table | 98 | — | 98 |

| (Dollars in thousands) | At December 31, 2017 | | |
|--|----------------------|-----------|-------------|
| | Originated | Acquired | Total |
| Commercial, financial and agricultural | \$833,100 | \$63,111 | \$896,211 |
| Real estate-commercial | 1,235,681 | 306,460 | 1,542,141 |
| Real estate-construction | 171,244 | 4,592 | 175,836 |
| Real estate-residential secured for business purpose | 250,800 | 91,167 | 341,967 |
| Real estate-residential secured for personal purpose | 260,654 | 60,920 | 321,574 |
| Real estate-home equity secured for personal purpose | 171,884 | 12,386 | 184,270 |
| Loans to individuals | 28,156 | 144 | 28,300 |
| Lease financings | 129,768 | — | 129,768 |
| Total loans and leases held for investment, net of deferred income | \$3,081,287 | \$538,780 | \$3,620,067 |
| Unearned lease income, included in the above table | \$(14,243) | \$— | \$(14,243) |
| Net deferred costs, included in the above table | 4,669 | — | 4,669 |
| Overdraft deposits included in the above table | 222 | — | 222 |

Overdraft deposits are re-classified as loans and are included in the total loans and leases on the balance sheet.

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The carrying amount of acquired loans at June 30, 2018 totaled \$456.5 million, including \$368.6 million of loans from the Fox Chase acquisition and \$87.9 million from the Valley Green Bank acquisition. At June 30, 2018, loans acquired with deteriorated credit quality, or acquired credit impaired loans, totaled \$998 thousand representing \$332 thousand from the Fox Chase acquisition and \$666 thousand from the Valley Green Bank acquisition. Acquired credit impaired loans are accounted for in accordance with Accounting Standards Codification (ASC) Topic 310-30. The outstanding principal balance and carrying amount for acquired credit impaired loans at June 30, 2018 and December 31, 2017 were as follows:

| (Dollars in thousands) | At June 30, 2018 | At December 31, 2017 |
|-------------------------------|---------------------------|----------------------------|
| Outstanding principal balance | \$1,378 | \$ 2,325 |
| Carrying amount | 998 | 1,583 |
| Allowance for loan losses | — | — |

The following table presents the changes in accretable yield on acquired credit impaired loans:

| (Dollars in thousands) | Six Months Ended June 30, | |
|--|------------------------------------|-------|
| | 2018 | 2017 |
| Beginning of period | \$11 | \$50 |
| Reclassification from nonaccretable discount | 375 | 279 |
| Accretable discount amortized to interest income | (386) | (297) |
| Disposals | — | (4) |
| End of period | \$— | \$28 |

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Age Analysis of Past Due Loans and Leases

The following presents, by class of loans and leases, an aging of past due loans and leases, loans and leases which are current and the recorded investment in loans and leases 90 days or more past due which are accruing interest at June 30, 2018 and December 31, 2017:

| (Dollars in thousands) | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or more Past Due | Total Past Due | Current | Acquired Credit Impaired | Total Loans and Leases Held for Investment | Recorded Investment 90 Days or more Past Due and Accruing Interest |
|--|---------------------------|---------------------------|-----------------------------------|-------------------|--------------|--------------------------------|--|---|
| At June 30, 2018 | | | | | | | | |
| Commercial, financial and agricultural | \$ 1,777 | \$ 141 | \$ 2,240 | \$ 4,158 | \$ 921,735 | \$ 267 | \$ 926,160 | \$ — |
| Real estate—commercial real estate and construction: | | | | | | | | |
| Commercial real estate | 1,543 | 1,145 | 1,619 | 4,307 | 1,639,131 | 206 | 1,643,644 | — |
| Construction | 364 | — | — | 364 | 208,522 | — | 208,886 | — |
| Real estate—residential and home equity: | | | | | | | | |
| Residential secured for business purpose | 1,750 | 782 | 1,173 | 3,705 | 334,547 | 460 | 338,712 | — |
| Residential secured for personal purpose | 2,896 | 88 | 1,561 | 4,545 | 346,813 | 65 | 351,423 | — |
| Home equity secured for personal purpose | 672 | 698 | 1,205 | 2,575 | 182,685 | — | 185,260 | — |
| Loans to individuals | 137 | 49 | 101 | 287 | 30,904 | — | 31,191 | 101 |
| Lease financings | 1,383 | 646 | 1,575 | 3,604 | 129,518 | — | 133,122 | 49 |
| Total | \$ 10,522 | \$ 3,549 | \$ 9,474 | \$ 23,545 | \$ 3,793,855 | \$ 998 | \$ 3,818,398 | \$ 150 |
| At December 31, 2017 | | | | | | | | |
| Commercial, financial and agricultural | \$ 2,182 | \$ 1,440 | \$ 1,509 | \$ 5,131 | \$ 890,658 | \$ 422 | \$ 896,211 | \$ — |
| Real estate—commercial real estate and construction: | | | | | | | | |
| Commercial real estate | 733 | 548 | 1,410 | 2,691 | 1,539,094 | 356 | 1,542,141 | — |
| Construction | 1,970 | — | 365 | 2,335 | 173,501 | — | 175,836 | — |
| Real estate—residential and home equity: | | | | | | | | |
| Residential secured for business purpose | 1,651 | 315 | 1,355 | 3,321 | 338,061 | 585 | 341,967 | 162 |
| Residential secured for personal purpose | 4,368 | 1,118 | 23 | 5,509 | 315,845 | 220 | 321,574 | — |
| Home equity secured for personal purpose | 1,414 | 333 | 464 | 2,211 | 182,059 | — | 184,270 | 148 |
| Loans to individuals | 221 | 139 | 195 | 555 | 27,745 | — | 28,300 | 195 |
| Lease financings | 1,143 | 392 | 1,855 | 3,390 | 126,378 | — | 129,768 | 256 |
| Total | \$ 13,682 | \$ 4,285 | \$ 7,176 | \$ 25,143 | \$ 3,593,341 | \$ 1,583 | \$ 3,620,067 | \$ 761 |

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Nonperforming Loans and Leases

The following presents, by class of loans and leases, nonperforming loans and leases at June 30, 2018 and December 31, 2017. Nonperforming loans exclude acquired credit impaired loans from Fox Chase and Valley Green.

| (Dollars in thousands) | At June 30, 2018 | | | | At December 31, 2017 | | | |
|--|---------------------------------------|--|---|---|---------------------------------------|---|---|---|
| | Nonaccrual Loans and Leases* | Accruing Troubled Debt Restructured Loans and Lease Modifications | Loans and Leases 90 Days or more Past Due and Accruing Interest | Total Nonperforming Loans and Leases | Nonaccrual Loans and Leases* | Accruing Troubled Debt Restructured Loans and Lease Modifications | Loans and Leases 90 Days or more Past Due and Accruing Interest | Total Nonperforming Loans and Leases |
| Commercial, financial and agricultural | \$4,084 | \$ 607 | \$ — | \$ 4,691 | \$4,448 | \$ 921 | \$ — | \$ 5,369 |
| Real estate—commercial real estate and construction: | | | | | | | | |
| Commercial real estate | 19,584 | — | — | 19,584 | 4,285 | 10,266 | — | 14,551 |
| Construction | 110 | — | — | 110 | 365 | — | — | 365 |
| Real estate—residential and home equity: | | | | | | | | |
| Residential secured for business purpose | 1,538 | 183 | — | 1,721 | 2,843 | 206 | 162 | 3,211 |
| Residential secured for personal purpose | 1,741 | — | — | 1,741 | 466 | 42 | — | 508 |
| Home equity secured for personal purpose | 1,565 | — | — | 1,565 | 511 | — | 148 | 659 |
| Loans to individuals | — | — | 101 | 101 | — | — | 195 | 195 |
| Lease financings | 1,526 | — | 49 | 1,575 | 1,599 | — | 256 | 1,855 |
| Total | \$30,148 | \$ 790 | \$ 150 | \$ 31,088 | \$14,517 | \$ 11,435 | \$ 761 | \$ 26,713 |

* Includes nonaccrual troubled debt restructured loans and lease modifications of \$1.8 million and \$2.5 million at June 30, 2018 and December 31, 2017, respectively.

Accruing troubled debt restructuring loans of \$11.4 million at December 31, 2017 includes balances of \$10.3 million related to one borrower which were classified as troubled debt restructurings as the related loans were granted amortization period extensions. These troubled debt restructured loans were returned to performing status during the first quarter of 2018 as the borrower was in compliance with the modified terms of the restructurings for the required time period. At June 30, 2018, commercial real estate nonaccrual loans and leases includes a \$12.0 million loan that was placed on nonaccrual status during the first quarter of 2018. A specific reserve of \$650 thousand was recorded for this loan as of June 30, 2018.

Credit Quality Indicators

The following tables present by class, the recorded investment in loans and leases held for investment by credit quality indicator at June 30, 2018 and December 31, 2017.

The Corporation employs a ten (10) grade risk rating system related to the credit quality of commercial loans and residential real estate loans secured for a business purpose of which the first six categories are pass categories (credits not adversely rated). The following is a description of the internal risk ratings and the likelihood of loss related to each risk rating. Loans with a relationship balance of less than \$1 million are reviewed on a performance basis, with the primary monitored metrics being delinquency (60 days or more past due) and revolving stagnancy. Loans with

relationships greater than \$1 million are reviewed at least annually. Loan relationships exceeding \$15 million or classified as special mention or substandard are reviewed at least quarterly, or more frequently based on management's discretion.

1. Cash Secured—No credit risk
2. Fully Secured—Negligible credit risk
3. Strong—Minimal credit risk
4. Satisfactory—Nominal credit risk
5. Acceptable—Moderate credit risk
6. Pre-Watch—Marginal, but stable credit risk
7. Special Mention—Potential weakness
8. Substandard—Well-defined weakness
9. Doubtful—Collection in-full improbable
10. Loss—Considered uncollectible

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Commercial Credit Exposure Credit Risk by Internally Assigned Grades

The following table presents classifications for originated loans:

| (Dollars in thousands) | Commercial, Financial and Agricultural | Real Estate— Commercial | Real Estate— Construction | Real Estate— Residential Secured for Business Purpose | Total |
|-----------------------------------|--|----------------------------|------------------------------|---|-------------|
| At June 30, 2018 | | | | | |
| Grade: | | | | | |
| 1. Cash secured/ 2. Fully secured | \$ 2,846 | \$— | \$ 24,304 | \$ — | \$27,150 |
| 3. Strong | 13,926 | 612 | — | — | 14,538 |
| 4. Satisfactory | 21,425 | 25,860 | — | 268 | 47,553 |
| 5. Acceptable | 606,047 | 1,045,630 | 74,818 | 225,971 | 1,952,466 |
| 6. Pre-watch | 204,593 | 249,505 | 103,970 | 36,000 | 594,068 |
| 7. Special Mention | 23,203 | 41,286 | 1,400 | 984 | 66,873 |
| 8. Substandard | 8,921 | 10,200 | 110 | 3,791 | 23,022 |
| 9. Doubtful | — | — | — | — | — |
| 10. Loss | — | — | — | — | — |
| Total | \$ 880,961 | \$ 1,373,093 | \$ 204,602 | \$ 267,014 | \$2,725,670 |
| At December 31, 2017 | | | | | |
| Grade: | | | | | |
| 1. Cash secured/ 2. Fully secured | \$ 2,521 | \$— | \$ 20,420 | \$ — | \$22,941 |
| 3. Strong | 9,206 | 1,821 | — | — | 11,027 |
| 4. Satisfactory | 30,283 | 26,950 | — | 274 | 57,507 |
| 5. Acceptable | 593,205 | 960,258 | 76,899 | 215,750 | 1,846,112 |
| 6. Pre-watch | 179,990 | 209,844 | 72,168 | 29,738 | 491,740 |
| 7. Special Mention | 4,027 | 12,974 | 1,392 | 296 | 18,689 |
| 8. Substandard | 13,868 | 23,834 | 365 | 4,742 | 42,809 |
| 9. Doubtful | — | — | — | — | — |
| 10. Loss | — | — | — | — | — |
| Total | \$ 833,100 | \$ 1,235,681 | \$ 171,244 | \$ 250,800 | \$2,490,825 |

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The following table presents classifications for acquired loans:

| (Dollars in thousands) | Commercial, Financial and Agricultural | Real Estate— Commercial | Real Estate— Construction | Real Estate— Residential Secured for Business Purpose | Total |
|-----------------------------------|--|----------------------------|------------------------------|---|------------|
| At June 30, 2018 | | | | | |
| Grade: | | | | | |
| 1. Cash secured/ 2. Fully secured | \$ — | \$ — | \$ — | \$ — | \$ — |
| 3. Strong | — | — | — | — | — |
| 4. Satisfactory | — | — | — | — | — |
| 5. Acceptable | 42,051 | 164,915 | — | 61,566 | 268,532 |
| 6. Pre-watch | 1,229 | 86,041 | 4,284 | 8,784 | 100,338 |
| 7. Special Mention | 865 | 4,462 | — | — | 5,327 |
| 8. Substandard | 1,054 | 15,133 | — | 1,348 | 17,535 |
| 9. Doubtful | — | — | — | — | — |
| 10. Loss | — | — | — | — | — |
| Total | \$ 45,199 | \$ 270,551 | \$ 4,284 | \$ 71,698 | \$ 391,732 |

December 31, 2017

| | | | | | |
|-----------------------------------|-----------|------------|----------|-----------|------------|
| Grade: | | | | | |
| 1. Cash secured/ 2. Fully secured | \$ 1,120 | \$ — | \$ — | \$ — | \$ 1,120 |
| 3. Strong | — | — | — | — | — |
| 4. Satisfactory | 125 | 482 | — | — | 607 |
| 5. Acceptable | 49,949 | 183,490 | — | 73,402 | 306,841 |
| 6. Pre-watch | 6,183 | 98,977 | 4,592 | 15,861 | 125,613 |
| 7. Special Mention | 1,007 | 17,028 | — | — | 18,035 |
| 8. Substandard | 4,727 | 6,483 | — | 1,904 | 13,114 |
| 9. Doubtful | — | — | — | — | — |
| 10. Loss | — | — | — | — | — |
| Total | \$ 63,111 | \$ 306,460 | \$ 4,592 | \$ 91,167 | \$ 465,330 |

Credit Exposure—Real Estate—Residential Secured for Personal Purpose, Real Estate—Home Equity Secured for Personal Purpose, Loans to individuals, Lease Financing Credit Risk Profile by Payment Activity

The Corporation monitors the credit risk profile by payment activity for the following classifications of loans and leases: residential real estate loans secured for a personal purpose, home equity loans secured for a personal purpose, loans to individuals and lease financings. Nonperforming loans and leases are loans and leases past due 90 days or more, loans and leases on nonaccrual of interest and troubled debt restructured loans and lease modifications. Performing loans and leases are reviewed only if the loan becomes 60 days or more past due. Nonperforming loans and leases are reviewed monthly. Performing loans and leases have a nominal to moderate risk of loss.

The following table presents classifications for originated loans:

| (Dollars in thousands) | Real Estate— Residential Secured for Personal Purpose | Real Estate— Home Equity Secured for Personal Purpose | Loans to Individuals | Lease Financings | Total |
|------------------------|--|--|-------------------------|---------------------|------------|
| At June 30, 2018 | | | | | |
| Performing | \$ 296,127 | \$ 174,866 | \$ 30,947 | \$ 131,547 | \$ 633,487 |
| Nonperforming | 607 | 485 | 101 | 1,575 | 2,768 |
| Total | \$ 296,734 | \$ 175,351 | \$ 31,048 | \$ 133,122 | \$ 636,255 |
| At December 31, 2017 | | | | | |
| Performing | \$ 260,589 | \$ 171,527 | \$ 27,961 | \$ 127,913 | \$ 587,990 |
| Nonperforming | 65 | 357 | 195 | 1,855 | 2,472 |
| Total | \$ 260,654 | \$ 171,884 | \$ 28,156 | \$ 129,768 | \$ 590,462 |

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The following table presents classifications for acquired loans:

| (Dollars in thousands) | Real Estate— Residential Secured for Personal Purpose | Real Estate— Home Equity Secured for Personal Purpose | Loans to Individuals | Lease Financings | Total |
|------------------------|--|--|-------------------------|---------------------|-----------|
| At June 30, 2018 | | | | | |
| Performing | \$ 53,555 | \$ 8,829 | \$ 143 | \$ | —\$62,527 |
| Nonperforming | 1,134 | 1,080 | — | — | 2,214 |
| Total | \$ 54,689 | \$ 9,909 | \$ 143 | \$ | —\$64,741 |
| At December 31, 2017 | | | | | |
| Performing | \$ 60,477 | \$ 12,084 | \$ 144 | \$ | —\$72,705 |
| Nonperforming | 443 | 302 | — | — | 745 |
| Total | \$ 60,920 | \$ 12,386 | \$ 144 | \$ | —\$73,450 |

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Reserve for Loan and Lease Losses and Recorded Investment in Loans and Leases

The following presents, by portfolio segment, a summary of the activity in the reserve for loan and lease losses for the three and six months ended June 30, 2018 and 2017:

| (Dollars in thousands) | Commercial Financial and Agricultural | Real Estate— Commercial and Construction | Real Estate— Residential Secured for Business Purpose | Real Estate— Residential and Home Equity Secured for Personal Purpose | Loans to Individuals | Lease Financings | Unallocated | Total |
|--|--|---|--|---|-------------------------|---------------------|-------------|-----------|
| Three Months Ended June 30, 2018 | | | | | | | | |
| Reserve for loan and lease losses: | | | | | | | | |
| Beginning balance | \$ 6,942 | \$ 11,178 | \$ 1,871 | \$ 1,908 | \$ 372 | \$ 1,079 | \$ 60 | \$ 23,410 |
| Charge-offs | (13,048) | — | — | — | (79) | (169) | N/A | (13,296) |
| Recoveries | 23 | — | 7 | 8 | 16 | 75 | N/A | 129 |
| Provision (recovery of provision) | 13,341 | 1,149 | 126 | 578 | 138 | 86 | (9) | 15,409 |
| Ending balance | \$ 7,258 | \$ 12,327 | \$ 2,004 | \$ 2,494 | \$ 447 | \$ 1,071 | \$ 51 | \$ 25,652 |
| Three Months Ended June 30, 2017 | | | | | | | | |
| Reserve for loan and lease losses: | | | | | | | | |
| Beginning balance | \$ 7,890 | \$ 7,624 | \$ 1,345 | \$ 1,001 | \$ 335 | \$ 1,329 | \$ 4 | \$ 19,528 |
| Charge-offs | (108) | (30) | (1,139) | — | (114) | (327) | N/A | (1,718) |
| Recoveries | 210 | — | 8 | 4 | 46 | 66 | N/A | 334 |
| Provision (recovery of provision) | 321 | 874 | 915 | (30) | 62 | 592 | 33 | 2,767 |
| Recovery of provision for acquired credit impaired loans | — | — | — | (1) | — | — | — | (1) |
| Ending balance | \$ 8,313 | \$ 8,468 | \$ 1,129 | \$ 974 | \$ 329 | \$ 1,660 | \$ 37 | \$ 20,910 |
| Six Months Ended June 30, 2018 | | | | | | | | |
| Reserve for loan and lease losses: | | | | | | | | |
| Beginning balance | \$ 6,742 | \$ 9,839 | \$ 1,661 | \$ 1,754 | \$ 373 | \$ 1,132 | \$ 54 | \$ 21,555 |
| Charge-offs | (13,649) | (40) | — | — | (171) | (305) | N/A | (14,165) |
| Recoveries | 249 | 73 | 258 | 65 | 46 | 109 | N/A | 800 |
| Provision (recovery of provision) | 13,916 | 2,455 | 85 | 674 | 199 | 135 | (3) | 17,461 |
| Provision for acquired credit impaired loans | — | — | — | 1 | — | — | — | 1 |
| Ending balance | \$ 7,258 | \$ 12,327 | \$ 2,004 | \$ 2,494 | \$ 447 | \$ 1,071 | \$ 51 | \$ 25,652 |
| Six Months Ended June 30, 2017 | | | | | | | | |
| Reserve for loan and lease losses: | | | | | | | | |
| Beginning balance | \$ 7,037 | \$ 7,505 | \$ 774 | \$ 993 | \$ 364 | \$ 788 | \$ 38 | \$ 17,499 |

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| | | | | | | | | |
|--|----------|----------|----------|--------|--------|----------|-------|-----------|
| Charge-offs | (286) | (30) | (1,181) | (94) | (240) | (584) | N/A | (2,415) |
| Recoveries | 397 | 3 | 18 | 21 | 81 | 95 | N/A | 615 |
| Provision (recovery of provision) | 1,165 | 990 | 1,518 | 52 | 124 | 1,361 | (1) | 5,209 |
| Provision for acquired credit impaired loans | — | — | — | 2 | — | — | — | 2 |
| Ending balance | \$ 8,313 | \$ 8,468 | \$ 1,129 | \$ 974 | \$ 329 | \$ 1,660 | \$ 37 | \$ 20,910 |

N/A – Not applicable

Charge-offs for the three and six months ended June 30, 2018 include a charge-off of \$12.7 million for a commercial loan relationship related to alleged fraudulent activities believed to be perpetrated by one or more employees of the borrower. The Bank owns a participating interest which originally totaled \$13.0 million in an approximately \$80.0 million commercial lending facility. The charge-off represents the entire principal amount owed to the Bank.

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The following presents, by portfolio segment, a summary of the balance in the reserve for loan and lease losses disaggregated on the basis of impairment method and the recorded investment in loans and leases disaggregated on the basis of impairment method at June 30, 2018 and 2017:

| (Dollars in thousands) | Commercial Financial and Agricultural | Real Estate— Commercial and Construction | Real Estate— Residential Secured for Business Purpose | Real Estate— Residential and Home Equity Secured for Personal Purpose | Real Estate— Loans to Individuals | Lease Financings | Unallocated | Total |
|---|--|---|--|---|---|---------------------|-------------|--------------|
| At June 30, 2018 | | | | | | | | |
| Reserve for loan and lease losses: | | | | | | | | |
| Ending balance: | | | | | | | | |
| individually evaluated for impairment | \$ 646 | \$ 866 | \$ 12 | \$ — | \$ — | \$ — | N/A | \$ 1,524 |
| Ending balance: collectively evaluated for impairment | 6,612 | 11,420 | 1,951 | 2,494 | 447 | 1,071 | 51 | 24,046 |
| Ending balance: acquired credit impaired loans evaluated for impairment | — | 41 | 41 | — | — | — | — | 82 |
| Total ending balance | \$ 7,258 | \$ 12,327 | \$ 2,004 | \$ 2,494 | \$ 447 | \$ 1,071 | \$ 51 | \$ 25,652 |
| Loans and leases held for investment: | | | | | | | | |
| Ending balance: | | | | | | | | |
| individually evaluated for impairment | \$ 6,238 | \$ 21,004 | \$ 2,132 | \$ 3,306 | \$ — | \$ 1,250 | | \$ 33,930 |
| Ending balance: collectively evaluated for impairment | 874,723 | 1,554,844 | 264,882 | 468,779 | 31,048 | 131,872 | | 3,326,148 |
| Loans measured at fair value | — | 1,847 | — | — | — | — | | 1,847 |
| Acquired non-credit impaired loans | 44,932 | 274,629 | 71,238 | 64,533 | 143 | — | | 455,475 |
| Acquired credit impaired loans | 267 | 206 | 460 | 65 | — | — | | 998 |
| Total ending balance | \$ 926,160 | \$ 1,852,530 | \$ 338,712 | \$ 536,683 | \$ 31,191 | \$ 133,122 | | \$ 3,818,398 |
| At June 30, 2017 | | | | | | | | |
| Reserve for loan and lease losses: | | | | | | | | |
| Ending balance: | | | | | | | | |
| individually evaluated for impairment | \$ 10 | \$ 59 | \$ 37 | \$ 25 | \$ — | \$ 886 | N/A | \$ 1,017 |
| Ending balance: collectively evaluated for impairment | 8,303 | 8,409 | 1,092 | 949 | 329 | 774 | 37 | 19,893 |
| Total ending balance | \$ 8,313 | \$ 8,468 | \$ 1,129 | \$ 974 | \$ 329 | \$ 1,660 | \$ 37 | \$ 20,910 |
| Loans and leases held for investment: | | | | | | | | |
| Ending balance: | | | | | | | | |
| individually evaluated for | \$ 9,794 | \$ 20,735 | \$ 5,196 | \$ 967 | \$ — | \$ 5,021 | | \$ 41,713 |

| | | | | | | | |
|--|------------|--------------|------------|------------|-----------|------------|--------------|
| impairment | | | | | | | |
| Ending balance: collectively evaluated for impairment | 809,693 | 1,268,132 | 189,173 | 394,683 | 27,442 | 125,133 | 2,814,256 |
| Loans measured at fair value | — | 2,058 | — | — | — | — | 2,058 |
| Acquired non-credit impaired loans | 85,178 | 378,413 | 99,151 | 82,770 | 146 | — | 645,658 |
| Acquired credit impaired loans | 502 | 5,185 | 583 | 215 | — | — | 6,485 |
| Total ending balance | \$ 905,167 | \$ 1,674,523 | \$ 294,103 | \$ 478,635 | \$ 27,588 | \$ 130,154 | \$ 3,510,170 |
| N/A – Not applicable | | | | | | | |

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The Corporation records a provision for loan loss for the acquired non-impaired loans only when additional deterioration of the portfolio is identified over the projections utilized in the initial fair value analysis. After the acquisition measurement period, the present value of any decreases in expected cash flows of acquired credit impaired loans will generally result in an impairment charge recorded as a provision for loan loss, resulting in an increase to the allowance.

Impaired Loans (excludes Lease Financings)

The following presents, by class of loans, the recorded investment and unpaid principal balance of impaired loans, the amounts of the impaired loans for which there is not a reserve for credit losses and the amounts for which there is a reserve for credit losses at June 30, 2018 and December 31, 2017. The impaired loans exclude acquired credit impaired loans.

| (Dollars in thousands) | At June 30, 2018 | | | At December 31, 2017 | | |
|---|---------------------|--------------------------|-----------------|----------------------|--------------------------|-----------------|
| | Recorded Investment | Unpaid Principal Balance | Related Reserve | Recorded Investment | Unpaid Principal Balance | Related Reserve |
| Impaired loans with no related reserve recorded: | | | | | | |
| Commercial, financial and agricultural | \$4,122 | \$4,848 | | \$7,019 | \$8,301 | |
| Real estate—commercial real estate | 7,489 | 8,336 | | 15,621 | 16,507 | |
| Real estate—construction | 110 | 113 | | 365 | 365 | |
| Real estate—residential secured for business purpose | 1,926 | 2,062 | | 3,430 | 4,620 | |
| Real estate—residential secured for personal purpose | 1,741 | 1,784 | | 508 | 566 | |
| Real estate—home equity secured for personal purpose | 1,565 | 1,595 | | 511 | 523 | |
| Total impaired loans with no related reserve recorded | \$16,953 | \$18,738 | | \$27,454 | \$30,882 | |
| Impaired loans with a reserve recorded: | | | | | | |
| Commercial, financial and agricultural | \$2,116 | \$2,180 | \$646 | \$60 | \$60 | \$31 |
| Real estate—commercial real estate | 13,405 | 13,645 | 866 | 933 | 933 | 99 |
| Real estate—residential secured for business purpose | 206 | 272 | 12 | 35 | 37 | 1 |
| Total impaired loans with a reserve recorded | \$15,727 | \$16,097 | \$1,524 | \$1,028 | \$1,030 | \$131 |
| Total impaired loans: | | | | | | |
| Commercial, financial and agricultural | \$6,238 | \$7,028 | \$646 | \$7,079 | \$8,361 | \$31 |
| Real estate—commercial real estate | 20,894 | 21,981 | 866 | 16,554 | 17,440 | 99 |
| Real estate—construction | 110 | 113 | — | 365 | 365 | — |
| Real estate—residential secured for business purpose | 2,132 | 2,334 | 12 | 3,465 | 4,657 | 1 |
| Real estate—residential secured for personal purpose | 1,741 | 1,784 | — | 508 | 566 | — |
| Real estate—home equity secured for personal purpose | 1,565 | 1,595 | — | 511 | 523 | — |
| Total impaired loans | \$32,680 | \$34,835 | \$1,524 | \$28,482 | \$31,912 | \$131 |

Impaired loans include nonaccrual loans, accruing troubled debt restructured loans and other accruing impaired loans for which it is probable that not all principal and interest payments due will be collectible in accordance with the original contractual terms. These loans are individually measured to determine the amount of potential impairment. The loans are reviewed for impairment based on the fair value of the collateral for collateral dependent loans and for certain loans based on discounted cash flows using the loans' initial effective interest rates. Impaired loans include other accruing impaired loans of \$3.3 million and \$4.1 million at June 30, 2018 and December 31, 2017, respectively. Specific reserves on other accruing impaired loans were \$25 thousand and \$99 thousand at June 30, 2018 and December 31, 2017, respectively.

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The following presents by class of loans, the average recorded investment in impaired loans and an analysis of interest on impaired loans. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. Therefore, interest income on accruing impaired loans is recognized using the accrual method.

| (Dollars in thousands) | Three Months Ended June 30, 2018 | | | Three Months Ended June 30, 2017 | | |
|--|--|-----------------------------------|--|--|-----------------------------------|--|
| | Average Interest Recorded Investment | Interest Income Recognized* | Additional Interest Income That Would Have Been Recognized Under Original Terms | Average Interest Recorded Investment | Interest Income Recognized* | Additional Interest Income That Would Have Been Recognized Under Original Terms |
| Commercial, financial and agricultural | \$6,394 | \$ 32 | \$ 134 | \$11,470 | \$ 64 | \$ 86 |
| Real estate—commercial real estate | 22,914 | 18 | 265 | 20,777 | 184 | 81 |
| Real estate—construction | 56 | — | 3 | 274 | — | 10 |
| Real estate—residential secured for business purpose | 1,966 | 5 | 23 | 4,184 | 21 | 61 |
| Real estate—residential secured for personal purpose | 889 | 2 | 33 | 699 | 1 | 15 |
| Real estate—home equity secured for personal purpose | 1,033 | — | 31 | 354 | — | 5 |
| Total | \$33,252 | \$ 57 | \$ 489 | \$37,758 | \$ 270 | \$ 258 |

Includes interest income recognized on a cash basis for nonaccrual loans of \$2 thousand and \$3 thousand for the three months ended June 30, 2018 and 2017, respectively, and interest income recognized on the accrual method for accruing impaired loans of \$55 thousand and \$267 thousand for the three months ended June 30, 2018 and 2017, respectively.

| (Dollars in thousands) | Six Months Ended June 30, 2018 | | | Six Months Ended June 30, 2017 | | |
|--|--|-----------------------------------|--|--|-----------------------------------|--|
| | Average Interest Recorded Investment | Interest Income Recognized* | Additional Interest Income That Would Have Been Recognized Under Original Terms | Average Interest Recorded Investment | Interest Income Recognized* | Additional Interest Income That Would Have Been Recognized Under Original Terms |
| Commercial, financial and agricultural | \$7,090 | \$ 72 | \$ 211 | \$11,506 | \$ 110 | \$ 171 |
| Real estate—commercial real estate | 20,105 | 190 | 552 | 22,464 | 417 | 154 |
| Real estate—construction | 137 | — | 5 | 156 | — | 10 |
| Real estate—residential secured for business purpose | 2,107 | 10 | 47 | 4,302 | 37 | 105 |
| Real estate—residential secured for personal purpose | 720 | 3 | 44 | 636 | 1 | 23 |
| Real estate—home equity secured for personal purpose | 819 | — | 39 | 431 | — | 10 |
| Total | \$30,978 | \$ 275 | \$ 898 | \$39,495 | \$ 565 | \$ 473 |

*Includes interest income recognized on a cash basis for nonaccrual loans of \$8 thousand and \$4 thousand for the six months ended June 30, 2018 and 2017, respectively, and interest income recognized on the accrual method for accruing impaired loans of \$267 thousand and \$561 thousand for the six months ended June 30, 2018 and 2017,

respectively.

Impaired Leases

The Corporation had impaired leases of \$1.3 million at June 30, 2018 and December 31, 2017 with no related reserves. See discussion in Reserve for Loan and Lease Losses and Recorded Investment in Loans and Leases.

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Troubled Debt Restructured Loans

The following presents, by class of loans, information regarding accruing and nonaccrual loans that were restructured:

| (Dollars in thousands) | Three Months Ended June 30, 2018 | | | Three Months Ended June 30, 2017 | | |
|--|--|---|----------------------|--|---|----------------------|
| | Pre- Restructuring of Outstanding Loans | Post- Restructuring of Outstanding Loans | Related Reserve | Pre- Restructuring of Outstanding Loans | Post- Restructuring of Outstanding Loans | Related Reserve |
| Accruing Troubled Debt Restructured Loans: | | | | | | |
| Real estate—commercial real estate | —\$ — | \$ — | \$ — | —3 \$ 9,206 | \$ 9,206 | \$ — |
| Total | —\$ — | \$ — | \$ — | —3 \$ 9,206 | \$ 9,206 | \$ — |
| Nonaccrual Troubled Debt Restructured Loans: | | | | | | |
| Real estate—commercial real estate | —\$ — | \$ — | \$ — | —1 \$ 328 | \$ 328 | \$ — |
| Real estate—residential secured for personal purpose | 1 66 | 66 | — | — | — | — |
| Total | 1 \$ 66 | \$ 66 | \$ — | —1 \$ 328 | \$ 328 | \$ — |
| | Six Months Ended June 30, 2018 | | | Six Months Ended June 30, 2017 | | |
| (Dollars in thousands) | Pre- Restructuring of Outstanding Loans | Post- Restructuring of Outstanding Loans | Related Allowance | Pre- Restructuring of Outstanding Loans | Post- Restructuring of Outstanding Loans | Related Allowance |
| Accruing Troubled Debt Restructured Loans: | | | | | | |
| Real estate—commercial real estate | —\$ — | \$ — | \$ — | —3 \$ 9,206 | \$ 9,206 | \$ — |
| Total | —\$ — | \$ — | \$ — | —3 \$ 9,206 | \$ 9,206 | \$ — |
| Nonaccrual Troubled Debt Restructured Loans: | | | | | | |
| Real estate—commercial real estate | —\$ — | \$ — | \$ — | —1 \$ 328 | \$ 328 | \$ — |
| Real estate—residential secured for personal purpose | 1 66 | 66 | — | — | — | — |
| Total | 1 \$ 66 | \$ 66 | \$ — | —1 \$ 328 | \$ 328 | \$ — |

The Corporation grants concessions to existing borrowers primarily related to extensions of interest-only payment periods and an occasional payment modification. These modifications typically are for up to one year. The goal when restructuring a credit is to establish a reasonable period of time to provide cash flow relief to customers experiencing cash flow difficulties. Accruing troubled debt restructured loans are primarily comprised of loans on which interest is being accrued under the restructured terms, and the loans are current or less than ninety days past due.

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The following presents, by class of loans, information regarding the types of concessions granted on accruing and nonaccrual loans that were restructured during the three and six months ended June 30, 2018 and 2017.

| | Maturity Date Extension No. of Amount Loans | Amortization Period Extension No. of Amount Loans | Total Concessions Granted No. of Amount Loans |
|--|--|--|---|
| (Dollars in thousands) | | | |
| Three Months Ended June 30, 2018 | | | |
| Accruing Troubled Debt Restructured Loans: | | | |
| Total | — \$ — | — \$ — | — \$ — |
| Nonaccrual Troubled Debt Restructured Loans: | | | |
| Real estate—residential secured for personal purpose | \$ — | 1 \$ 66 | 1 \$ 66 |
| Total | — \$ — | 1 \$ 66 | 1 \$ 66 |
| Three Months Ended June 30, 2017 | | | |
| Accruing Troubled Debt Restructured Loans: | | | |
| Real estate—commercial real estate | — \$ — | 3 \$ 9,206 | 3 \$ 9,206 |
| Total | — \$ — | 3 \$ 9,206 | 3 \$ 9,206 |
| Nonaccrual Troubled Debt Restructured Loans: | | | |
| Real estate—commercial real estate | 1 \$ 328 | — \$ — | 1 \$ 328 |
| Total | 1 \$ 328 | — \$ — | 1 \$ 328 |
| Six Months Ended June 30, 2018 | | | |
| Accruing Troubled Debt Restructured Loans: | | | |
| Total | — \$ — | — \$ — | — \$ — |
| Nonaccrual Troubled Debt Restructured Loans: | | | |
| Real estate—residential secured for personal purpose | \$ — | 1 \$ 66 | 1 \$ 66 |
| Total | — \$ — | 1 \$ 66 | 1 \$ 66 |
| Six Months Ended June 30, 2017 | | | |
| Accruing Troubled Debt Restructured Loans: | | | |