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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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 001-12669

SOUTH STATE CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina	57-0799315
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

520 Gervais Street	
Columbia, South Carolina	29201
(Address of principal executive offices)	(Zip Code)

(800) 277-2175

(Registrant's telephone number, including area code)

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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer	Smaller Reporting Company

Emerging Growth Company

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

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

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

Class	Outstanding as of July 31, 2018
Common Stock, $2.50 par value	36,830,002

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South State Corporation and Subsidiary

June 30 2018 Form 10-Q

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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

South State Corporation and Subsidiary

Condensed Consolidated Balance Sheets

(Dollars in thousands, except par value)

	June 30, 2018 (Unaudited)	December 31, 2017	June 30, 2017 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	$ 250,106	$ 255,775	$ 225,259
Interest-bearing deposits with banks	73,013	117,635	185,472
Federal funds sold and securities purchased under agreements to resell	73,730	4,217	21,159
Total cash and cash equivalents	396,849	377,627	431,890
Investment securities:			
Securities held to maturity (fair value of $503, $2,556 and $4,248, respectively)	499	2,529	4,166
Securities available for sale, at fair value	1,577,999	1,648,193	1,340,427
Other investments	19,229	23,047	14,301
Total investment securities	1,597,727	1,673,769	1,358,894
Loans held for sale	36,968	70,890	65,995
Loans:			
Acquired credit impaired, net of allowance for loan losses	551,979	618,803	602,481
Acquired non-credit impaired	3,076,424	3,507,907	1,585,981
Non-acquired	7,197,539	6,492,155	5,992,393
Less allowance for non-acquired loan losses	(47,874)	(43,448)	(40,149)
Loans, net	10,778,068	10,575,417	8,140,706
Other real estate owned	17,222	11,203	14,430
Premises and equipment, net	245,288	255,565	201,539
Bank owned life insurance	227,588	225,132	150,476
Deferred tax assets	48,853	45,902	39,921
Mortgage servicing rights	35,107	31,119	29,930
Core deposit and other intangibles	69,975	73,789	52,966
Goodwill	1,002,722	999,586	595,817
Other assets	110,121	126,590	71,877
Total assets	$ 14,566,488	$ 14,466,589	$ 11,154,441
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Deposits:			

Noninterest-bearing	$ 3,152,828	$ 3,047,432	$ 2,635,147
Interest-bearing	8,485,461	8,485,334	6,396,507
Total deposits	11,638,289	11,532,766	9,031,654
Federal funds purchased and securities sold under agreements to repurchase	331,969	286,857	334,018
Other borrowings	115,754	216,385	98,147
Other liabilities	132,109	121,661	85,137
Total liabilities	12,218,121	12,157,669	9,548,956
Shareholders' equity:			
Common stock - $2.50 par value; authorized 80,000,000; 80,000,000 and 40,000,000 shares, respectively; 36,825,556; 36,759,656 and 29,259,264 shares issued and outstanding, respectively	92,064	91,899	73,148
Surplus	1,811,446	1,807,601	1,134,328
Retained earnings	480,928	419,847	401,706
Accumulated other comprehensive loss	(36,071)	(10,427)	(3,697)
Total shareholders' equity	2,348,367	2,308,920	1,605,485
Total liabilities and shareholders' equity	$ 14,566,488	$ 14,466,589	$ 11,154,441

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Income (unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income:				
Loans, including fees	$ 129,852	$ 93,600	$ 256,893	$ 185,352
Investment securities:				
Taxable	9,048	7,020	17,836	14,251
Tax-exempt	1,614	1,397	3,173	2,827
Federal funds sold and securities purchased under agreements to resell	1,218	762	1,878	1,335
Total interest income	141,732	102,779	279,780	203,765
Interest expense:				
Deposits	10,009	2,661	16,922	5,158
Federal funds purchased and securities sold under agreements to repurchase	642	240	1,096	480
Other borrowings	1,519	847	3,227	1,734
Total interest expense	12,170	3,748	21,245	7,372
Net interest income	129,562	99,031	258,535	196,393
Provision for loan losses	4,478	2,313	6,932	6,020
Net interest income after provision for loan losses	125,084	96,718	251,603	190,373
Noninterest income:				
Fees on deposit accounts	22,612	19,897	45,155	39,398
Mortgage banking income	3,317	5,195	8,265	10,764
Trust and investment services income	7,567	6,452	15,081	12,393
Securities gains (losses), net	(641)	110	(641)	110
Recoveries on acquired loans	2,167	2,171	5,142	3,703
Other	2,503	1,491	5,078	3,165
Total noninterest income	37,525	35,316	78,080	69,533
Noninterest expense:				
Salaries and employee benefits	55,026	47,580	117,491	96,466
Net occupancy expense	7,815	6,048	15,981	12,436
Information services expense	8,903	6,413	18,641	12,773
Furniture and equipment expense	4,519	3,877	9,145	7,671
OREO expense and loan related	1,037	1,753	2,698	3,895
Bankcard expense	311	628	1,002	1,180
Amortization of intangibles	3,722	2,495	7,135	5,002
Supplies, printing and postage expense	1,406	1,570	2,798	3,224
Professional fees	1,898	1,599	3,597	3,372
FDIC assessment and other regulatory charges	3,277	989	4,540	2,111
Advertising and marketing	1,163	989	1,899	1,548

Merger and branch consolidation related expense	14,096	4,307	25,392	25,331
Other	7,333	6,033	13,650	11,777
Total noninterest expense	110,506	84,281	223,969	186,786
Earnings:				
Income before provision for income taxes	52,103	47,753	105,714	73,120
Provision for income taxes	11,644	15,930	22,929	23,033
Net income	$ 40,459	$ 31,823	$ 82,785	$ 50,087
Earnings per common share:				
Basic	$ 1.10	$ 1.09	$ 2.25	$ 1.73
Diluted	$ 1.09	$ 1.08	$ 2.24	$ 1.71
Dividends per common share	$ 0.34	$ 0.33	$ 0.67	$ 0.66
Weighted average common shares outstanding:				
Basic	36,677	29,095	36,657	28,985
Diluted	36,929	29,365	36,910	29,252

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(Dollars in thousands)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net income	$ 40,459	$ 31,823	$ 82,785	$ 50,087
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period	(8,216)	1,803	(30,298)	6,920
Tax effect	1,807	(688)	6,697	(2,638)
Reclassification adjustment for (gains) losses included in net income	641	(110)	641	(110)
Tax effect	(141)	43	(141)	42
Net of tax amount	(5,909)	1,048	(23,101)	4,214
Unrealized gains (losses) on derivative financial instruments qualifying as cash flow hedges:				
Unrealized holding gains (losses) arising during period	8	18	44	(60)
Tax effect	(2)	(7)	(10)	23
Reclassification adjustment for losses included in interest expense	39	19	87	168
Tax effect	(8)	(7)	(19)	(64)
Net of tax amount	37	23	102	67
Change in pension plan obligation:				
Reclassification adjustment for changes included in net income	194	187	387	376
Tax effect	(43)	(71)	(85)	(143)
Net of tax amount	151	116	302	233
Other comprehensive gain (loss), net of tax	(5,721)	1,187	(22,697)	4,514
Comprehensive income	$ 34,738	$ 33,010	$ 60,088	$ 54,601

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

Six months ended June 30, 2018 and 2017

(Dollars in thousands, except for share data)

	Common Stock Shares	Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2016	24,230,392	$ 60,576	$ 711,307	$ 370,916	$ (8,211)	$ 1,134,588
Comprehensive income	—	—	—	50,087	4,514	54,601
Cash dividends declared on common stock at $0.66 per share	—	—	—	(19,297)	—	(19,297)
Common stock issued for Southeastern Bank Financial Corp. acquisition	4,978,338	12,446	422,163	—	—	434,609
Employee stock purchases	3,226	8	259	—	—	267
Stock options exercised	33,896	84	1,050	—	—	1,134
Restricted stock awards	15,851	39	(39)	—	—	—
Stock issued pursuant to restricted stock units	37,802	95	(95)	—	—	—
Common stock repurchased	(40,241)	(100)	(3,505)	—	—	(3,605)
Share-based compensation expense	—	—	3,188	—	—	3,188

Balance, June 30, 2017	29,259,264	$ 73,148	$ 1,134,328	$ 401,706	$ (3,697)	$ 1,605,485
Balance, December 31, 2017	36,759,656	$ 91,899	$ 1,807,601	$ 419,847	$ (10,427)	$ 2,308,920
Comprehensive income	—	—	—	82,785	(22,697)	60,088
Cash dividends declared on common stock at $0.67 per share	—	—	—	(24,651)	—	(24,651)
AOCI reclassification to retained earnings from adoption of ASU 2018-02	—	—	—	2,947	(2,947)	—
Employee stock purchases	4,338	11	341	—	—	352
Stock options exercised	33,424	83	948	—	—	1,031
Restricted stock awards	7,836	20	(20)	—	—	—
Common stock repurchased	(19,239)	(48)	(1,678)	—	—	(1,726)
Stock issued pursuant to restricted stock units	39,541	99	(99)	—	—	—
Share-based compensation expense	—	—	4,353	—	—	4,353
Balance, June 30, 2018	36,825,556	$ 92,064	$ 1,811,446	$ 480,928	$ (36,071)	$ 2,348,367

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Condensed Consolidated Statements of Cash Flows (unaudited)

(Dollars in thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	$ 82,785	$ 50,087
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,025	14,064
Provision for loan losses	6,932	6,020
Deferred income taxes	5,517	4,040
(Gain) loss on sale of securities, net	641	(110)
Share-based compensation expense	4,353	3,188
Accretion of discount related to performing acquired loans	(17,251)	(7,543)
(Gain) loss on disposal of premises and equipment	1,266	(15)
Gain on sale of OREO	(204)	(188)
Net amortization of premiums on investment securities	3,843	3,338
OREO write downs	932	1,729
Fair value adjustment for loans held for sale	(208)	1,332
Originations and purchases of loans held for sale	(324,803)	(367,673)
Proceeds from sales of loans	358,929	364,570
Net change in:		
Accrued interest receivable	(1,023)	558
Prepaid assets	(52)	387
Miscellaneous other assets	8,819	(914)
Accrued interest payable	1,093	(469)
Accrued income taxes	6,404	5,798
Miscellaneous other liabilities	4,188	(3,004)
Net cash provided by operating activities	160,186	75,195
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	51,822	215,987
Proceeds from maturities and calls of investment securities held to maturity	2,030	1,930
Proceeds from maturities and calls of investment securities available for sale	114,825	131,250
Proceeds from sales of other investment securities	13,175	2,807
Purchases of investment securities available for sale	(130,378)	(101,925)
Purchases of other investment securities	(9,356)	(303)
Net increase in loans	(207,909)	(449,052)
Net cash received from acquisitions	—	71,607
Recoveries of loans previously charged off	2,104	1,340
Purchases of premises and equipment	(7,268)	(6,095)
Proceeds from sale of OREO	3,722	7,677
Proceeds from sale of premises and equipment	18	15

Net cash used in investing activities	(167,215)	(124,762)
Cash flows from financing activities:		
Net increase in deposits	106,135	176,311
Net increase in federal funds purchased and securities sold under agreements to repurchase and other short-term borrowings	45,112	19,231
Proceeds from FHLB advances	260,001	—
Repayment of other borrowings	(360,003)	(67,032)
Common stock issuance	352	267
Common stock repurchase	(1,726)	(3,605)
Dividends paid on common stock	(24,651)	(19,297)
Stock options exercised	1,031	1,134
Net cash provided by financing activities	26,251	107,009
Net increase in cash and cash equivalents	19,222	57,442
Cash and cash equivalents at beginning of period	377,627	374,448
Cash and cash equivalents at end of period	$ 396,849	$ 431,890
Supplemental Disclosures:		
Cash Flow Information:		
Cash paid for:		
Interest	$ 20,152	$ 7,841
Income taxes	$ 11,796	$ 11,850
Schedule of Noncash Investing Transactions:		
Acquisitions:		
Fair value of tangible assets acquired	$ (7,068)	$ 1,816,592
Other intangible assets acquired	3,321	18,120
Liabilities assumed	(612)	1,656,967
Net identifiable assets acquired over liabilities assumed	(3,135)	177,745
Common stock issued in acquisition	—	434,625
Real estate acquired in full or in partial settlement of loans	$ 10,259	$ 4,947

The Accompanying Notes are an Integral Part of the Financial Statements.

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South State Corporation and Subsidiary

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 — Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior period information has been reclassified to conform to the current period presentation, and these reclassifications had no impact on net income or equity as previously reported. Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

The condensed consolidated balance sheet at December 31, 2017 has been derived from the audited financial statements at that date but does not include all of the information and disclosures required by GAAP for complete financial statements.

Note 2 — Summary of Significant Accounting Policies

The information contained in the consolidated financial statements and accompanying notes included in South State Corporation's ("SSB's") Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission (the "SEC") on February 23, 2018, should be referenced when reading these unaudited condensed consolidated financial statements. Unless otherwise mentioned or unless the context requires otherwise, references herein to "South State," the "Company" "we," "us," "our" or similar references mean South State Corporation and it consolidated subsidiary. References to the "Bank" means South State Corporation's wholly owned subsidiary, South State Bank, a South Carolina banking corporation.

Revenue from Contracts with Customers (Topic 606) and Method of Adoption

On January 1, 2018, we adopted the requirements of Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("ASU Topic 606"). The majority of our revenue is derived primarily from interest income from receivables (loans) and securities. Other revenues are derived from fees received in connection with deposit accounts, mortgage banking activities including gains from the sale of loans and loan origination fees, and trust and investment advisory services. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company adopted ASU Topic 606 using the retrospective transition approach which requires restatement of prior periods. We selected this method even though there were no material changes in the timing of revenue recognition due to the fact that ASU Topic 606 requires us to report network costs associated with debit card and ATM transactions netted against the related fees from such transactions. Previously, such network costs were reported as a component of other noninterest expense. We did restate prior periods for this reclassification. For the three and six months ended June 30, 2018, gross interchange and debit card transaction fees totaled \$11.1 million and \$21.7 million, respectively while related network costs totaled \$3.0 million and \$6.0 million, respectively. On a net basis we reported \$8.1 million and \$15.7 million, respectively, as interchange and debit card transactions fees in the accompanying Consolidated Statements of Income as noninterest income for the three and six months ended June 30, 2018. We also made this reclassification for the comparable periods in 2017. For the three and six months ended June 30, 2017, gross interchange and debit card transaction fees totaled \$9.0 million and \$17.7 million, respectively while related network costs totaled \$2.3 million and \$4.5 million, respectively. On a net basis we reported \$6.7 million and \$13.2 million, respectively, as net interchange and debit card transactions fees as noninterest income for the three and six months ended June 30, 2017. This adoption method is considered a change in accounting principle requiring additional disclosure of the nature of and reason for the change, which is solely a result of the adoption of the required standard. When applying the retrospective approach under ASU Topic 606, the Company has elected, as a practical expedient, to apply the revenue standard only to contracts that are not completed as of January 1, 2018. A completed contract is considered to be a contract for which all (or substantially all) of the revenue was recognized in accordance with revenue guidance that was in effect before January 1, 2018. There were no uncompleted contracts as of January 1, 2018 for which application of the new standard required an adjustment to retained earnings.

The following disclosures related to ASU Topic 606 involve income derived from contracts with customers. Within the scope of ASU Topic 606, we maintain contracts to provide services, primarily for investment advisory and/or custody of assets. Through our wholly-owned subsidiaries, the Bank, South State Advisory and Minis, Inc., we contract with our customers to perform IRA, Trust, and/or Custody and Agency advisory services. Total revenue recognized from these contracts with customers was $7.6 million and $15.1 million, respectively, for the three and six months ended June 30, 2018. The Bank contracts with our customers to perform deposit account services. Total revenue recognized from these contracts with customers is $25.9 million and $51.7 million, respectively, for the three and six months ended June 30, 2018. Due to the nature of our relationship with the customers that we provide services, we do not incur costs to obtain contracts and there are no material incremental costs to fulfill these contracts that should be capitalized.

Disaggregation of Revenue - Our portfolio of services provided to our customers consists of over 803,000 active contracts. We have disaggregated revenue according to timing of the transfer of service. Total revenue derived from contracts in which services are transferred at a point in time was $32.9 million and $66.7 million, respectively, for the three and six months ended June 30, 2018. Total revenue derived from contracts in which services are transferred over time was $4.9 million and $9.8 million, respectively, for the three and six months ended June 30, 2018. Revenue is recognized as the services are provided to the customers. Economic factors impacting the customers could affect the nature, amount, and timing of these cash flows, as unfavorable economic conditions could impair the customers' ability to provide payment for services. This risk is mitigated as we generally deduct payments from customers' accounts as services are rendered.

Contract Balances - The timing of revenue recognition, billings, and cash collections results in billed accounts receivable on our balance sheet. Most contracts call for payment by a charge or deduction to the respective customer account but there are some that require a receipt of payment from the customer. For fee per transaction contracts, the customers are billed as the transactions are processed. For hourly rate and monthly service contracts related to trust and some investment revenues, the customers are billed monthly (generally as a percentage basis point of the market value of the investment account). In some cases, specific to Minis, Inc. and South State Advisory, customers are billed in advance for quarterly services to be performed based on the past quarter's average account balance. These do create contract liabilities or deferred revenue, as the customers pay in advance for service. Neither the contract liabilities nor the accounts receivables balances are material to the Company's balance sheet.

Performance Obligations - A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASU Topic 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The performance obligations for these contracts are satisfied as the service is provided to the customer (either over time or at a point in time). The payment terms of the contracts are typically based on a basis point percentage of the investment account market value, fee per hour of service, or fee for service incurred. There are no significant financing components in the contracts. Excluding deposit services revenues which are mostly billed at a point in time as a fee for services incurred, all other contracts within the scope of ASU Topic 606 contain variable consideration in that fees earned are derived from market values of accounts or from hours worked for services performed which determines the amount of consideration to which we are entitled. The variability is resolved when the hours are incurred or services are provided. The contracts do not include obligations for returns, refunds, or warranties. The contracts are specific to the amounts owed to the Company for services performed during a period should the contracts be terminated.

Significant Judgements - All of the contracts create performance obligations that are satisfied at a point in time excluding the contracts billed in advance through Minis and South State Advisory and some immaterial deposit revenues. Revenue is recognized as services are billed to the customers. Variable consideration does exist for contracts related to our trust and investment services as revenues are based on market values and services performed. We have adopted the right-to-invoice practical expedient for trust management contracts through South State Bank which we contract with our customers to perform IRA, Trust, and/or Custody services.

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Note 3 — Recent Accounting and Regulatory Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10) ("ASU 2018-03"). ASU 2018-03 updates the new financial instruments standard by clarifying issues that arose from ASU 2016-01, but does not change the core principle of the new standard. The issues addressed in this ASU include: (1) Equity securities without a readily determinable fair value-discontinuation, (2) Equity securities without a readily determinable fair value-adjustments, (3) Forward contracts and purchased options, (4) Presentation requirements for certain fair value option liabilities, (5) Fair value option liabilities denominated in a foreign currency, (6) Transition guidance for equity securities without a readily determinable fair value, and (7) Transition and open effective date information. For public business entities, the amendments in ASU 2018-03 and ASU 2016-01 are effective for interim and annual periods beginning after December 15, 2017. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of ASU 2018-03 and ASU 2016-01. This guidance became effective on January 1, 2018 and the Company determined that the implementation of this standard did not have a material impact to the Company's consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"). ASU 2018-02 amends ASC Topic 220 and allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act"). Consequently, this amendment eliminates the stranded tax effects resulting from the Tax Reform Act and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Reform Act, the underlying guidance that requires that the effects of the change in tax laws or rates be included in income from continuing operations is not affected. The guidance is effective for public companies for annual periods beginning on or after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period, (1) for public business entities for reporting periods for which financial statements have not yet been issued and (2) for all other entities for reporting periods for which financial statements have not yet been made available for issuance. This amendment should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in U.S. federal corporate income tax rate in the Tax Reform Act is recognized. The Company early adopted this amendment in the first quarter of 2018 and reclassified $2.9 million from accumulated other comprehensive income to retained earnings for the stranded tax effects resulting from the Tax Reform Act.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"). ASU 2017-12 amends Accounting Standards Codification ("ASC") Topic 815 to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. These amendments will improve the transparency of information about an entity's risk management activities and simplify the application of hedge accounting. The guidance is effective for public companies for annual periods beginning on or after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. All transition requirements and elections should be applied to hedging relationships existing on the date of adoption. The Company is still assessing the impact of this new guidance, but does not believe it will have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"). ASU 2017-09 provides clarity by offering guidance on the scope of modification accounting for share-based payment awards and gives direction on which changes to the terms or conditions of these awards require an entity to apply modification accounting. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or a liability) changes as a result of the change in terms or conditions. The guidance is effective prospectively for all companies for annual periods beginning on or after December 15, 2017. Early adoption is permitted. The Company adopted this standard in the first quarter of 2018 and determined that this guidance did not have a material impact on the Company's consolidated financial statements.

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In March 2017, the FASB issued ASU No. 2017-08, Receivables-Nonrefundable Fees and Other Cost (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities; ("ASU 2017-08"). ASU 2017-08 shortens the amortization period of the premium for certain callable debt securities, from the contractual maturity date to the earliest call date. The amendments do not require an accounting change for securities held at a discount; an entity will continue to amortize to the contractual maturity date the discount related to callable debt securities. The amendments apply to the amortization of premiums on callable debt securities with explicit, noncontingent call features that are callable at fixed prices on preset dates. For public business entities, ASU 2017-08 is effective in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For entities other than public business entities, the amendments are effective in fiscal years beginning after December 15, 2019 and in interim periods in fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including in an interim period. The amendments should be applied on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the amendments are adopted. The Company has determined that this guidance will not have a material impact on the Company's consolidated financial statements.

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 ("ASU 2017-07"). ASU 2017-07 applies to any employer that sponsors a defined benefit pension plan, other postretirement benefit plan, or other types of benefits accounted for under Topic 715. The amendments require that an employer disaggregate the service cost component from the other components of net benefit cost, as follows (1) service cost must be presented in the same line item(s) as other employee compensation costs, which costs are generally included within income from continuing operations, but in some cases may be eligible for capitalization, (2) all other components of net benefit cost must be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented, and (3) the amendments permit capitalizing only the service cost component of net benefit cost, assuming such costs meet the criteria required for capitalization by other GAAP , rather than total net benefit cost which has been permitted under prior GAAP. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those years. The amendments should be adopted prospectively and allows a practical expedient that permits an employer to use the amounts disclosed in its pension and other postretirement benefit plan note for the prior periods to apply the retrospective presentation requirements. The Company adopted this standard in the first quarter of 2018 and determined that this guidance did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangible-Goodwill and other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment for all entities by requiring impairment charges to be based on the first step in today's two-step impairment test under ASC Topic 350 and eliminating Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The guidance is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those years. The amendments should be adopted prospectively and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. At this point in time, the Company does not expect that this guidance will have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). These amendments are intended to clarify the definition of a business to assist companies and other reporting entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 requires an entity to evaluate if substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in ASC Topic 606. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The Company adopted this standard in the first quarter of 2018 and determined that this guidance did not have a material impact on the Company's consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers ("ASU 2016-20"). ASU 2016-20 updates the new revenue standard by clarifying issues that arose from ASU 2014-09, but does not change the core principle of the new standard. The issues

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addressed in this ASU include: (1) Loan guarantee fees, (2) Impairment testing of contract costs, (3) Interaction of impairment testing with guidance in other topics, (4) Provisions for losses on construction-type and production-type contracts, (5) Scope of topic 606, (6) Disclosure of remaining performance obligations, (7) Disclosure of prior-period performance obligations, (8) Contract modifications, (9) Contract asset vs. receivable, (10) Refund liability, (11) Advertising costs, (12) Fixed-odds wagering contracts in the casino industry, (13) Cost capitalization for advisors to private funds and public funds. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2017. The amendments can be applied retrospectively to each prior reporting period or retrospectively with the cumulative effect of initially applying this new guidance recognized at the date of initial application. The Company's revenue includes net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. ASU 2016-20, ASU 2016-08 and ASU 2014-09 became effective on January 1, 2018 and the Company refined its disclosures around the standard in the first quarter of 2018. See Note 2 – Summary of Significant Accounting Policies for additional information. The Company has determined that there is no material change on how the Company recognizes its revenue streams and the adoption of these standards did not have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). ASU 2016-15 addresses eight classification issues related to the statement of cash flows: Debt prepayment or debt extinguishment costs; Settlement of zero-coupon bonds; Contingent consideration payments made after a business combination; Proceeds from the settlement of insurance claims; Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; Distributions received from equity method investees; Beneficial interests in securitization transactions; and Separately identifiable cash flows and application of the predominance principle. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. Entities will apply the standard's provisions using a retrospective transition method to each period presented. The Company adopted this standard in the first quarter of 2018 and determined that this guidance did not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in earlier recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company has dedicated staff and resources in place evaluating the Company's options including evaluating the appropriate model options and collecting and reviewing loan data for use in these models. The Company is currently still assessing the impact that this new guidance will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08"). ASU 2016-08 updates the new revenue standard by clarifying the principal versus agent implementation guidance, but does not change the core principle of the new standard. The updates to the principal versus agent guidance: (i) require an entity to determine whether it is a principal or an agent for each distinct good or service (or a distinct bundle of goods or services) to be provided to the customer; (ii) illustrate how an entity that is a principal might apply the control principle to goods, services, or rights to services, when another party is involved in providing goods or services to a customer and (iii) Clarify that the purpose of certain specific control indicators is to support or assist in the assessment of whether an entity controls a good or service before it is transferred to the customer, provide more specific guidance on how the indicators should be considered, and clarify that their relevance will vary depending on the facts and circumstances. For public business entities, the effective date and transition requirements for these amendments are the same as the effective date and transition requirements of ASU 2014-09 which is effective for interim and annual periods beginning after December 15, 2017. The amendments can be applied retrospectively to each prior reporting period or retrospectively with the cumulative effect of initially applying this new guidance recognized at the date of initial application. The Company's revenue includes net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. ASU 2016-20, ASU 2016-08 and ASU 2014-09 became effective on

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January 1, 2018 and the Company refined its disclosures around the standard in the first quarter of 2018. The Company determined that there is no material change on how the Company recognizes its revenue streams and the adoption of these standards did not have a material impact on the Company's consolidated financial statements, other than the required disclosures and the reclassification of interchange costs from noninterest expense to noninterest income on the Consolidated Statement of Income which the Company applied retrospectively to each prior reporting period. See further discussion in Note 2 – Summary of Significant Accounting Policies.

In March 2016, the FASB issued ASU No. 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships ("ASU 2016-05"). ASU 2016-05 requires an entity to discontinue a designated hedging relationship in certain circumstances, including termination of the derivative hedging instrument or if the entity wishes to change any of the critical terms of the hedging relationship. ASU 2016-05 amends Topic 815 to clarify that novation of a derivative (replacing one of the parties to a derivative instrument with a new party) designated as the hedging instrument would not, in and of itself, be considered a termination of the derivative instrument or a change in critical terms requiring discontinuation of the designated hedging relationship. For public business entities, the amendments in ASU 2016-05 are effective for interim and annual periods beginning after December 15, 2016. An entity has an option to apply the amendments in ASU 2016-05 on either a prospective basis or a modified retrospective basis. ASU 2016-05 became effective for the Company on January 1, 2017 and did not have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. For public business entities, the amendments in ASU 2016-02 are effective for interim and annual periods beginning after December 15, 2018. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach which includes a number of optional practical expedients that entities may elect to apply. The Company has reviewed its outstanding lease agreements and has centrally documented the terms of its leases. The Company is still currently evaluating the provisions of ASU 2016-02 in relation to its outstanding leases to determine the potential impact the new standard will have to the Company's consolidated financial statements. Based on the Company's current evaluation, the Company estimates that it would have recorded a right to use asset and a lease liability of approximately $78 million if the standard was effective at June 30, 2018.

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 ("ASU 2016-01"). This update is intended to improve the recognition and measurement of financial instruments and it requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price; and (v) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. ASU 2016-01 also provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes and requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. For public business entities, the amendments in ASU 2016-01 are effective for interim and annual periods beginning after December 15, 2017. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of the ASU 2016-01. This guidance became effective on January 1, 2018 and the Company has determined that the implementation of this standard did not have a material impact to the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, Topic 606 ("ASU 2014-09"). The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in

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exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August of 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers, Topic 606: Deferral of the Effective Date, deferring the effective date of ASU 2014-09 until annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The amendments can be applied retrospectively to each prior reporting period or retrospectively with the cumulative effect of initially applying this new guidance recognized at the date of initial application. The Company's revenue includes net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. ASU 2016-20, ASU 2016-08 and ASU 2014-09 became effective on January 1, 2018 and the Company refined its disclosures around the standard in the first quarter of 2018. See Note 2 – Summary of Significant Accounting Policies for additional information. The Company has determined that there is no material change on how the Company recognizes its revenue streams and the adoption of these standards did not have a material impact on the Company's consolidated financial statements.

Note 4 — Mergers and Acquisitions

The following business combinations have occurred over the past two years:

- Park Sterling Corporation ("PSC" or "Park") – November 30, 2017 – Whole bank acquisition
- Southeastern Bank Financial Corporation ("SBFC" or "Southeastern") – January 3, 2017 – Whole bank acquisition

Park Sterling Corporation Acquisition

On November 30, 2017, SSB acquired all of the outstanding common stock of PSC of Charlotte, North Carolina, the bank holding company for Park Sterling Bank ("PSB"), in a stock transaction. PSC common shareholders received 0.14 shares of the SSB's common stock in exchange for each share of PSC stock resulting in SSB issuing 7,480,343 shares of common stock. In total, the purchase price for PSC was $693.0 million including the value of "in the money" outstanding stock options totaling $4.3 million.

The PSC transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. The following table presents the assets acquired and liabilities assumed as of November 30, 2017 and their initial and subsequent fair value estimates, as recorded by the Company. Fair values are preliminary and subject to refinement for up to a year after the closing date of the acquisition for new information obtained about facts and circumstances that existed at the acquisition date.

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(Dollars in thousands)	As Recorded by Park	Initial Fair Value Adjustments		Subsequent Fair Value Adjustments		As Recorded by the Company
Assets						
Cash and cash equivalents	$ 116,454	$ —		$ —		$ 116,454
Investment securities	461,261	1,444	(a)	219	(a)	462,924
Loans held for sale	2,200	68,686	(b)	(4)	(b)	70,882
Loans, net of allowance and mark	2,346,612	(95,878)	(c)	(9,131)	(c)	2,241,603
Premises and equipment	61,059	(4,882)	(d)	(387)	(d)	55,790
Intangible assets	73,090	(46,915)	(e)	3,321	(e)	29,496
OREO and repossessed assets	2,549	(429)	(f)	210	(f)	2,330
Bank owned life insurance	72,703	—		—		72,703
Deferred tax asset	17,963	11,596	(g)	2,025	(g)	31,584
Other assets	21,595	(476)	(h)	—		21,119
Total assets	$ 3,175,486	$ (66,854)		$ (3,747)		$ 3,104,885
Liabilities						
Deposits:						
Noninterest-bearing	$ 561,874	$ —		$ —		$ 561,874
Interest-bearing	1,886,810	2,692	(i)	(612)	(i)	1,888,890
Total deposits	2,448,684	2,692		(612)		2,450,764
Federal funds purchased and securities sold under agreements to repurchase	—	—		—		—
Other borrowings	329,249	11,689	(j)	—		340,938
Other liabilities	24,179	2,131	(k)	—		26,310
Total liabilities	2,802,112	16,512		(612)		2,818,012
Net identifiable assets acquired over (under) liabilities assumed	373,374	(83,366)		(3,135)		286,873
Goodwill	—	402,951		3,135		406,086
Net assets acquired over liabilities assumed	$ 373,374	$ 319,585		$ —		$ 692,959
Consideration:						
South State Corporation common shares issued						7,480,343
Purchase price per share of the SSB's common stock						$ 92.05
SSB common stock issued ($688,566) and cash exchanged for fractional shares ($88)						$ 688,654
Cash paid for stock option redemptions						4,305
Fair value of total consideration transferred						$ 692,959

Explanation of fair value adjustments

(a)—Adjustment reflects marking the securities portfolio to fair value as of the acquisition date.

(b)—Adjustment reflects a reclassification of $68.7 million by SSB of Shared National Credits (loans) from loans held for investment to loans held for sale.

(c)—Adjustment reflects the fair value adjustments (discount) of $70.1 million based on the Company's evaluation of the acquired loan portfolio. This amount excludes the allowance for loan losses ("ALLL") and fair value adjustment (discount) of $12.5 million and $21.3 million, respectively, recorded by PSC and is net of the $68.7 million reclassification related to the Shared National Credits noted in (b), above.

(d)—Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired premises and equipment.

(e)—Adjustment reflects the recording of a 1.66% Core Deposit Intangible ("CDI") on the acquired deposit accounts that totaled $29.5 million offset by a write-off of $73.1 million of existing goodwill and CDI acquired from PSC.

(f)—Adjustment reflects the fair value adjustments to other real estate owned ("OREO") based on the Company's evaluation of the acquired OREO portfolio.

(g)—Adjustment to record deferred tax asset related to the fair value adjustments and an adjustment from the PSC tax rate to the SSB tax rate.

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(h)—Adjustment reflects the write-off of accrued interest receivable along with certain prepaid expenses.

(i)—Adjustment reflects the premium for fixed maturity time deposits of $2.3 million offset by the write-off of existing fair value marks of $253,000 acquired from PSC.

(j)—Adjustment reflects the fair value adjustment (discount) of $2.4 million on PSC's Trust Preferred Securities offset by the write-off of the existing PSC discount on its senior debt and TRUPs of $14.0 million.

(k)—Adjustment reflects the fair value adjustments to employee benefit plans of $1.5 million along with other

adjustments of miscellaneous liabilities.

Comparative and Pro Forma Financial Information for the PSC Acquisition

The adjusted results of the Company for the periods ended June 30, 2018, include the adjusted results of the acquired assets and assumed liabilities since the acquisition date of November 30, 2017 related to the PSC acquisition. Merger-related charges of $14.1 million and $25.4 million, respectively, are recorded in the consolidated statement of income for the three and six months ended June 30, 2018; and include incremental costs related to the conversion of systems, termination of contracts, branch closures and severance cost.

The following table discloses the impact of the merger with PSC (excluding the impact of merger-related expenses) for the three and six months ended June 30, 2018. The table also presents certain pro forma information as if PSC had been acquired on January 1, 2017. These results combine the historical results of PSC in the Company's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on January 1, 2017.

Merger-related costs of $4.3 million and $21.0 million from the SBFC acquisition were incurred during the three and six months ended June 30, 2017 and were excluded from the pro forma information below. In addition, no adjustments have been made to the pro formas to eliminate the provision for loan losses for the three and six months ended June 30, 2017 of PSC in the amount of $0 and $678,000, respectively. No adjustments have been made to reduce the impact of any OREO write downs, investment securities sold or repayment of borrowings recognized by PSC in the three and six months ended June 30, 2017. Expenses related to systems conversions, contract cancellation and personnel are expected to continue to be recorded in the third quarter of 2018 for the PSC merger. The Company expects to achieve operating cost savings and other business synergies as a result of the acquisitions which are not reflected in the pro forma amounts below:

(Dollars in thousands)	PSC Estimated/Actual For the Three Months Ended June 30, 2018	Pro Forma Three Months Ended June 30, 2017	PSC Estimated/Actual For the Six Months Ended June 30, 2018	Pro Forma Six Months Ended June 30, 2017
	$ 29,924	$ 172,902	$ 66,088	$ 337,728

Total revenues (net interest income plus noninterest income)				
Net adjusted income available to the common shareholder	$ 15,656	$ 46,764	$ 35,054	$ 88,843

Southeastern Bank Financial Corporation Acquisition

On January 3, 2017, SSB acquired all of the outstanding common stock of SBFC of Augusta, Georgia, the bank holding company for Georgia Bank & Trust Company of Augusta (“GB&T”), in a stock transaction. SBFC common shareholders received 0.7307 shares of SSB’s common stock in exchange for each share of SBFC stock resulting in SSB issuing 4,978,338 shares of common stock. In total, the purchase price for SBFC was $435.1 million including the value of “in the money” outstanding stock options totaling $490,000.

The SBFC transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date.

The following table presents the assets acquired and liabilities assumed as of January 3, 2017 at their initial and subsequent fair value estimates, as recorded by the Company. The fair value estimates were subject to refinement for up

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to one year after the closing date of the acquisition for new information obtained about facts and circumstances that existed at the acquisition date.

(Dollars in thousands)	As Recorded by SBFC	Initial Fair Value Adjustments		Subsequent Fair Value Adjustments		As Recorded by the Company
Assets						
Cash and cash equivalents	$ 72,043	$ —		$ —		$ 72,043
Investment securities	591,824	(1,770)	(a)	—		590,054
Loans held for sale	13,652	—		—		13,652
Loans, net of allowance and mark	1,060,618	(10,668)	(b)	—		1,049,950
Premises and equipment	25,419	(2,212)	(c)	870	(c)	24,077
Intangible assets	140	17,980	(d)	—		18,120
OREO and repossessed assets	580	(30)	(e)	(100)	(e)	450
Bank owned life insurance	44,513	—		—		44,513
Deferred tax asset	16,247	(687)	(f)	515	(f)	16,075
Other assets	7,545	(482)	(g)	—		7,063
Total assets	$ 1,832,581	$ 2,131		$ 1,285		$ 1,835,997
Liabilities						
Deposits:						
Noninterest-bearing	$ 262,967	$ —		$ —		$ 262,967
Interest-bearing	1,257,953	—		—		1,257,953
Total deposits	1,520,920	—		—		1,520,920
Federal funds purchased and securities sold under agreements to repurchase	1,014	—		—		1,014
Other borrowings	110,620	(1,120)	(h)	—		109,500
Other liabilities	19,980	5,553	(i)	2,210	(i)	27,743
Total liabilities	1,652,534	4,433		2,210		1,659,177
Net identifiable assets acquired over (under) liabilities assumed	180,047	(2,302)		(925)		176,820
Goodwill	—	257,370		925		258,295
Net assets acquired over liabilities assumed	$ 180,047	$ 255,068		$ —		$ 435,115
Consideration:						
South State Corporation common shares issued						4,978,338
Purchase price per share of the Company's common stock						$ 87.30
Company common stock issued ($434,609) and cash exchanged for fractional shares ($16)						$ 434,625
Cash paid for stock option redemptions						490
Fair value of total consideration transferred						$ 435,115

Explanation of fair value adjustments

(a)—Adjustment reflects marking the securities portfolio to fair value as of the acquisition date.

(b)—Adjustment reflects the fair value adjustments of $30.7 million based on the Company's evaluation of the acquired loan portfolio and excludes the ALLL of $20.1 million recorded by SBFC.

(c)—Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired premises and equipment.

(d)—Adjustment reflects the recording of the core deposit intangible on the acquired deposit accounts that totaled $18.1 million.

(e)—Adjustment reflects the fair value adjustments to OREO and repossessed assets based on the Company's evaluation of the acquired OREO and repossessed assets portfolio.

(f)—Adjustment to record deferred tax asset related to the fair value adjustments.

(g)—Adjustment reflects uncollectible portion of accrued interest receivable and loan fees receivable along with the write-off of certain prepaid expenses.

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(h)—Adjustment reflects the fair value adjustments based on the Company's evaluation of other borrowings of Trust Preferred Securities with a discount of $2.1 million, netted with premium on certain Federal Home Loan Bank ("FHLB ") advances of $1.0 million.

(i)—Adjustment reflects the fair value adjustments to employee benefit plans of $8.3 million netted against an adjustment of other miscellaneous liabilities of $496,000.

Note 5 — Investment Securities

The following is the amortized cost and fair value of investment securities held to maturity:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2018:				
State and municipal obligations	$ 499	$ 4	$ —	$ 503
December 31, 2017:				
State and municipal obligations	$ 2,529	$ 27	$ —	$ 2,556
June 30, 2017:				
State and municipal obligations	$ 4,166	$ 82	$ —	$ 4,248

The following is the amortized cost and fair value of investment securities available for sale:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2018:				
Government-sponsored entities debt*	$ 48,933	$ —	$ (1,320)	$ 47,613
State and municipal obligations	223,533	1,932	(1,649)	223,816
Mortgage-backed securities**	1,342,105	110	(35,645)	1,306,570
Corporate securities	—	—	—	—
	$ 1,614,571	$ 2,042	$ (38,614)	$ 1,577,999
December 31, 2017:				