FIRST BANCSHARES INC /MS/
Form 424B3
November 13, 2017

PROSPECTUS SUPPLEMENT NO. 8 **Filed Pursuant to Rule 424(b)(3)**

(to Prospectus dated February 21, 2017) **Registration No. 333-215157**

THE FIRST BANCSHARES, INC.

3,563,380 Shares of Common Stock

This prospectus supplement relates to the Prospectus dated February 21, 2017 ("Base Prospectus"), as supplemented by Prospectus Supplement No. 1 dated March 16, 2017 ("Prospectus Supplement No. 1"), Prospectus Supplement No. 2 dated April 13, 2017 ("Prospectus Supplement No. 2"), Prospectus Supplement No. 3 dated May 10, 2017 ("Prospectus Supplement No. 3"), Prospectus Supplement No. 4 dated May 30, 2017 ("Prospectus Supplement No. 4"), Prospectus Supplement No. 5 dated August 9, 2017 ("Prospectus Supplement No. 5"), Prospectus No. 6 dated October 25, 2017 ("Prospectus Supplement No. 6"), and Prospectus Supplement No. 7 dated November 1, 2017 ("Prospectus Supplement No. 7," and together with the Base Prospectus, Prospectus Supplement No. 1, Prospectus Supplement No. 2, Prospectus Supplement No. 3, Prospectus Supplement No. 4, Prospectus Supplement No. 5, and Prospectus Supplement No. 6, the "Prospectus"), which permits the resale of up to 3,563,380 outstanding shares of our common stock by the selling securityholders identified in the Prospectus, as amended and supplemented from time to time. We will pay the expenses of registering the shares, but we are not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering.

This prospectus supplement is being filed to update, amend, and supplement the information previously included in the Prospectus with the information contained in our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2017 (the "Form 10-Q"). Accordingly, the text of the Form 10-Q is included herein and made a part of this prospectus supplement. You should read this prospectus supplement together with the Prospectus, which is to be delivered with this prospectus supplement.

The First Bancshares, Inc. common stock is listed on the NASDAQ Global Market under the symbol "FBMS". On November 9, 2017, the closing sale price of the common stock on the NASDAQ Global Market was $30.75 per share.

The securities offered by the selling securityholders, which are shares of our common stock, are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other government agency or fund.

Investing in our common stock involves a certain degree of risk. We urge you to carefully read the section entitled "RISK FACTORS" beginning on page 7 of the Base Prospectus, as amended and supplemented by the "Risk Factors" included in Item 1A. of The First Bancshares, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which was included in Prospectus Supplement No. 1, as updated by the "Risk Factors" set forth in Item 1A. of the Form 10-Q included herein and made a part of this prospectus supplement, and all other information included in the Prospectus in its entirety before you decide whether to invest.

None of the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency or any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 10, 2017

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 September 30, 2017

Commission file number: 000-22507

THE FIRST BANCshARES, INC.

(Exact name of Registrant as specified in its charter)

Mississippi	64-0862173
(State of Incorporation)	(IRS Employer Identification No)

6480 U.S. Highway 98 West, Suite A, Hattiesburg, Mississippi 39402

(Address of principal executive offices) (Zip Code)

(601) 268-8998

(Registrant's telephone number, including area code)

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 þ No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ 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, or an emerging growth company.

Large accelerated filer ¨	Accelerated filer þ
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 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 þ

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

Common stock, $1.00 par value, 9,179,901 shares issued and 11,192,401 outstanding as of November 3, 2017.

PART I - FINANCIAL INFORMATION

ITEM NO. 1- FINANCIAL STATEMENTS

THE FIRST BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS

($ In Thousands)

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
ASSETS		
Cash and due from banks	$ 63,668	$ 31,719
Interest-bearing deposits with banks	29,649	29,975
Federal funds sold	-	425
Total cash and cash equivalents	93,317	62,119
Securities held-to-maturity, at amortized cost	6,000	6,000
Securities available-for-sale, at fair value	353,035	243,206
Other securities	9,556	6,593
Total securities	368,591	255,799
Loans held for sale	4,588	5,880
Loans	1,198,193	867,054
Allowance for loan losses	(8,175)	(7,510)
Loans, net	1,190,018	859,544
Premises and equipment	46,203	34,624
Interest receivable	5,787	4,358
Cash surrender value of bank-owned life insurance	26,367	21,250
Goodwill	20,443	13,776
Other real estate owned	7,855	6,008
Other assets	24,807	14,009
TOTAL ASSETS	$ 1,787,976	$ 1,277,367

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 308,050	$ 202,478
Interest-bearing	1,199,941	836,713
TOTAL DEPOSITS	1,507,991	1,039,191
Interest payable	274	306
Borrowed funds	94,321	69,000
Subordinated debentures	10,310	10,310
Other liabilities	8,100	4,033
TOTAL LIABILITIES	1,620,996	1,122,840
STOCKHOLDERS' EQUITY:		
Common stock, par value $1 per share, 20,000,000 shares authorized; 9,179,901 shares issued at September 30, 2017, and 9,017,891 shares issued at December 31, 2016, respectively	9,180	9,018
Additional paid-in capital	104,965	102,574
Retained earnings	51,649	44,477
Accumulated other comprehensive income (loss)	1,650	(1,078)
Treasury stock, at cost, 26,494 shares at Sept. 30, 2017 and at December 31, 2016	(464)	(464)
TOTAL STOCKHOLDERS' EQUITY	166,980	154,527
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,787,976	$ 1,277,367

See Notes to Consolidated Financial Statements

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THE FIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME

($ In Thousands, except earnings and dividends per share)

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2017	2016	2017	2016
INTEREST INCOME:				
Interest and fees on loans	$ 14,412	$ 9,798	$ 42,083	$ 28,146
Interest and dividends on securities:				
Taxable interest and dividends	1,600	982	4,742	3,110
Tax exempt interest	579	464	1,764	1,398
Interest on federal funds sold	117	25	337	82
TOTAL INTEREST INCOME	16,708	11,269	48,926	32,736
INTEREST EXPENSE:				
Interest on deposits	1,375	962	3,836	2,476
Interest on borrowed funds	398	240	1,151	663
TOTAL INTEREST EXPENSE	1,773	1,202	4,987	3,139
NET INTEREST INCOME	14,935	10,067	43,939	29,597
PROVISION FOR LOAN LOSSES	90	143	384	538
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	14,845	9,924	43,555	29,059
OTHER INCOME:				
Service charges on deposit accounts	902	606	2,692	1,847
Other service charges and fees	2,756	2,493	8,115	6,695
TOTAL OTHER INCOME	3,658	3,099	10,807	8,542
OTHER EXPENSES:				
Salaries and employee benefits	7,328	5,645	23,070	16,194
Occupancy and equipment	1,390	1,209	4,108	3,392
Acquisition and integration charges	48	-	6,327	-
Other	3,122	2,562	9,551	7,144
TOTAL OTHER EXPENSES	11,888	9,416	43,056	26,730

INCOME BEFORE INCOME TAXES	6,615	3,607	11,306	10,871
INCOME TAXES	1,901	1,049	3,104	3,060
NET INCOME	4,714	2,558	8,202	7,811
PREFERRED STOCK ACCRETION AND DIVIDENDS	-	86	-	257
NET INCOME APPLICABLE TO COMMON STOCKHOLDERS	$ 4,714	$ 2,472	$ 8,202	$ 7,554
NET INCOME APPLICABLE TO COMMON STOCKHOLDERS:				
BASIC	$ 0.52	$ 0.46	$ 0.90	$ 1.39
DILUTED	0.51	0.45	0.89	1.38
DIVIDENDS PER SHARE – COMMON	0.0375	0.0375	0.1125	0.1125

See Notes to Consolidated Financial Statements

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THE FIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ In Thousands)

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income per consolidated statements of income	$ 4,714	$ 2,558	$ 8,202	$ 7,811
Other Comprehensive Income:				
Unrealized holding gains/ (losses) arising during period on available-for-sale securities	(865)	189	4,391	3,016
Less reclassification adjustment for gains included in net income	-	(129)	-	(129)
Unrealized holding gains/ (losses) arising during period on available-for-sale securities	(865)	60	4,391	2,887
Unrealized holding gains/ (losses) on loans held for sale	42	(85)	45	1
Income tax benefit(expense)	322	13	(1,708)	(982)
Other comprehensive income (loss)	(501)	(12)	2,728	1,906
Comprehensive Income	$ 4,213	$ 2,546	$ 10,930	$ 9,717

See Notes to Consolidated Financial Statements

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THE FIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

($ In Thousands, unaudited)

	Common Stock	**Preferred Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income(Loss)**	**Treasury Stock**	Total
Balance, January 1, 2016	$ 5,403	$ 17,123	$ 44,650	$ 35,625	$ 1,099	$ (464)	$ 103,436
Net income	-	-	-	7,811	-	-	7,811
Other comprehensive income	-	-	-	-	1,906	-	1,906
Dividends on preferred stock	-	-	-	(257)	-	-	(257)
Dividends on common stock, $0.1125 per share	-	-	-	(611)	-	-	(611)
Issuance of preferred shares				(25)			(25)
Repurchase of restricted stock for payment of taxes	(9)	-	(167)	-	-	-	(176)
Restricted stock grant	61	-	(61)	-	-	-	-
Compensation expense	-	-	574	-	-	-	574
Balance, Sept. 30, 2016	$ 5,455	$ 17,123	$ 44,996	$ 42,543	$ 3,005	$ (464)	$ 112,658
Balance, January 1, 2017	$ 9,018	$ -	$ 102,574	$ 44,477	$ (1,078)	$ (464)	$ 154,527
Net income	-	-	-	8,202	-	-	8,202
Other comprehensive income	-	-	-	-	2,728	-	2,728
Dividends on common stock, $0.1125 per share	-	-	-	(1,030)	-	-	(1,030)
Issuance of 89,591 common shares for GCCB acquisition	89	-	2,160	-	-	-	2,249
Repurchase of restricted stock for payment of taxes	(12)	-	(318)	-	-	-	(330)
Restricted stock grant	85	-	(85)	-	-	-	-
Compensation expense	-	-	634	-	-	-	634
Balance, Sept. 30, 2017	$ 9,180	$ -	$ 104,965	$ 51,649	$ 1,650	$ (464)	$ 166,980

See Notes to Consolidated Financial Statements

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THE FIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ In Thousands)

	(Unaudited) Nine Months Ended September 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$8,202	$7,811
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of securities	-	(129)
Depreciation, amortization and accretion	3,455	2,520
Provision for loan losses	384	538
Loss on sale/writedown of ORE	743	111
Restricted stock expense	634	573
Increase in cash value of life insurance	(532)	(384)
Federal Home Loan Bank stock dividends	(54)	(27)
Changes in:		
Interest receivable	256	(61)
Loans held for sale, net	1,336	(5,462)
Interest payable	(50)	29
Other, net	1,738	(2,882)
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,112	2,637
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities, calls and paydowns of available-for-sale and held-to-maturity securities	51,879	37,141
Purchases of available-for-sale securities	(67,646)	(30,294)
Net purchases of other securities	(1,796)	(1,433)
Net increase in loans	(94,210)	(84,019)
Net increase in premises and equipment	(4,237)	(1,055)
Purchase of bank-owned life insurance	(469)	(5,850)
Proceeds from sale of other real estate owned	5,759	-
Cash received in excess of cash paid for acquisitions	3,413	-
NET CASH USED IN INVESTING ACTIVITIES	(107,307)	(85,510)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deposits	113,313	155,094
Net increase (decrease) in borrowed funds	10,415	(42,321)
Dividends paid on common stock	(1,005)	(587)
Dividends paid on preferred stock	-	(257)
Repurchase of restricted stock for payment of taxes	(330)	(176)
Issuance of preferred shares	-	(25)

NET CASH PROVIDED BY FINANCING ACTIVITIES	122,393	111,728
NET INCREASE IN CASH	31,198	28,855
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	62,119	41,259
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$93,317	$70,114
SUPPLEMENTAL DISCLOSURES:		
CASH PAYMENTS FOR INTEREST	5,181	3,110
CASH PAYMENTS FOR INCOME TAXES	667	4,277
LOANS TRANSFERRED TO OTHER REAL ESTATE	836	2,498
ISSUANCE OF RESTRICTED STOCK GRANTS	85	61
STOCK ISSUED IN CONNECTION WITH GULF COAST COMMUNITY BANK ACQUISITION	2,249	-

See Notes to Consolidated Financial Statements

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2017

NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and the instructions to Form 10-Q of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2017, are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. For further information, please refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 2016.

NOTE 2 — SUMMARY OF ORGANIZATION

The First Bancshares, Inc., Hattiesburg, Mississippi (the "Company"), was incorporated June 23, 1995, under the laws of the State of Mississippi for the purpose of operating as a bank holding company. The Company’s primary asset is its interest in its wholly-owned subsidiary, The First, A National Banking Association (the “Bank”).

At September 30, 2017, the Company had approximately $1.8 billion in assets, $1.2 billion in net loans, $1.5 billion in deposits, and $167.0 million in stockholders' equity. For the nine months ended September 30, 2017, the Company reported net income of $8.2 million. After tax merger related costs of $3.9 million were expensed during the nine months ended September 30, 2017.

In each of the first, second, and third quarters of 2017, the Company declared and paid a dividend of $.0375 per common share.

NOTE 3 — RECENT ACCOUNTING PRONOUNCEMENTS

In May 2017, the FASB issued ASU No. 2017-09, “Stock Compensation, Scope of Modification Accounting.” ASU 2017-09 clarifies when changes to the terms of conditions of a share-based payment award must be accounted for as modifications. Companies will apply the modification accounting guidance if any change in the value, vesting conditions or classification of the award occurs. The new guidance should reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications, as the guidance will allow companies to make certain non-substantive changes to awards without accounting for them as modifications. It does not change the accounting for modifications. ASU 2017-09 is effective for interim and annual reporting periods beginning after December 15, 2017; early adoption is permitted. ASU 2017-09 is not expected to have a material impact on the Company’s Consolidated Financial Statements.

In March 2017, the FASB issued ASU No. 2017-08, "*Premium Amortization on Purchased Callable Debt Securities.*" ASU 2017-08 shortens the amortization period for the premium on certain purchased callable debt securities to the earliest call date. Currently, entities generally amortize the premium as an adjustment of yield over the contractual life of the security. The ASU does not change the accounting for purchased callable debt securities held at a discount as the discount will continue to be accreted to maturity. ASU 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. The guidance calls for a modified retrospective transition approach under which a cumulative-effect adjustment will be made to retained earnings as of the beginning of the first reporting period in which ASU 2017-08 is adopted. The Company is currently evaluating the provisions of ASU 2017-08 to determine the potential impact the new standard will have on its Consolidated Financial Statements.

In January 2017, the FASB issued ASU No. 2017-04, *"Simplifying the Test for Goodwill Impairment."* ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Under the amended guidance, a goodwill impairment charge will now be recognized for the amount by which the carrying value of a reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill. This guidance is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted for any impairment tests performed after January 1, 2017. The Company is currently assessing the impact of ASU 2017-04 on its Consolidated Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, *"Classification of Certain Cash Receipts and Cash Payments."* Current GAAP is unclear or does not include specific guidance on how to classify certain transactions in the statement of cash flows. ASU 2016-15 is intended to reduce diversity in practice in how eight particular transactions are classified in the statement of cash flows. ASU 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, provided that all of the amendments are adopted in the same period. Entities will be required to apply the guidance retrospectively. If it is impracticable to apply the guidance retrospectively for an issue, the amendments related to that issue would be applied prospectively. As this guidance only affects the classification within the statement of cash flows, ASU 2016-15 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In June 2016, the Financial Accounting Standards Board (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 a new impairment model known as the current expected credit loss ("CECL") which significantly changes the way impairment of financial instruments is recognized by requiring immediate recognition of estimated credit losses expected to occur over the remaining life of financial instruments. The main provisions of ASU 2016-13 include (1) replacing the "incurred loss" approach under current GAAP with an "expected loss" model for instruments measured at amortized cost, (2) requiring entities to record an allowance for credit losses related to available-for-sale debt securities rather than a direct write-down of the carrying amount of the investments, as is required by the other-than-temporary-impairment model under current GAAP, and (3) a simplified accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019, although early adoption is permitted. The Company is currently assessing the impact of the adoption of ASU 2016-13 on its Consolidated Financial Statements.

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In February 2016, the FASB issued ASU NO. 2016-02 "*Leases (Topic 842).*" ASU 2016-02 establishes a right of use model that requires a lessee to record a right of use asset and a lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the income statement. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If neither risks and rewards nor control is conveyed, an operating lease results. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with certain practical expedients available. Early adoption is permitted. The Company is assessing the impact of ASU 2016-02 on its accounting and disclosures.

NOTE 4 – BUSINESS COMBINATIONS

Acquisitions

Iberville Bank

On January 1, 2017, the Company completed its acquisition of 100% of the common stock of Iberville Bank, Plaquemine, Louisiana, from A. Wilbert's Sons Lumber and Shingle Co. ("Iberville Parent"), and immediately thereafter merged Iberville Bank ("Iberville"), the wholly-owned subsidiary of Iberville Parent, with and into The First. The Company paid a total of $31.1 million in cash. Approximately $2.5 million of the purchase price is being held in escrow as contingency for flood-related losses in the loan portfolio that may be incurred due to flooding in Iberville's market area in the fall of 2016.

In connection with the acquisition, the Company recorded approximately $5.6 million of goodwill and $2.7 million of core deposit intangible. The core deposit intangible is to be expensed over 10 years.

The Company acquired Iberville's $149.4 million loan portfolio at an estimated fair value discount of $0.8 million. The discount represents expected credit losses, adjusted for market interest rates and liquidity adjustments.

Expenses associated with the acquisition were $3.5 million for the nine month period ended September 30, 2017. These costs included system conversion and integrating operations charges as well as legal and consulting expenses, which have been expensed as incurred.

The preliminary amounts of the acquired identifiable assets and liabilities as of the acquisition date were as follows:

($ In Thousands)	
Purchase price:	
Cash	$31,100
Total purchase price	31,100
Identifiable assets:	
Cash and due from banks	28,789
Investments	78,613
Loans	148,516
Core deposit intangible	2,688
Personal and real property	4,603
Other assets	9,330
Total assets	272,539
Liabilities and equity:	
Deposits	243,656
Borrowed funds	456
Other liabilities	2,928
Total liabilities	247,040
Net assets acquired	25,499
Goodwill resulting from acquisition	$5,601

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Valuation adjustments have been made to securities, personal and real property, and core deposit intangible since initially reported.

The outstanding principal balance and the carrying amount of these loans included in the consolidated balance sheet at September 30, 2017, are as follows ($ In Thousands):

Outstanding principal balance	$132,277
Carrying amount	131,535

The following unaudited supplemental pro forma information is presented to show the Company's estimated results assuming Iberville was acquired as of January 1, 2016. These unaudited pro forma results are not necessarily indicative of the operating results that the Company would have achieved had it completed the acquisition as of January 1, 2016 and should not be considered as representative of future operating results. Pro forma information for 2017 is not necessary because Iberville Bank is included in the Company's results for the entire nine and three months ended September 30, 2017.

($ In Thousands) Performance Measures (pro forma, unaudited)	For the Three Months Ended Sept. 30, 2016	For the Nine Months Ended Sept. 30, 2016
Net interest income	$ 12,428	$ 36,479
Net income available to common shareholders	2,667	8,366
Diluted earnings per common share	0.49	1.53

Gulf Coast Community Bank

Also on January 1, 2017, the Company completed the merger of Gulf Coast Community Bank ("GCCB"), Pensacola, Florida, with and into The First. The Company issued to GCCB's shareholders shares of the Company's common stock which, for purposes of the GCCB acquisition, were valued through averaging the trading price of the Company's common stock price over a 30 day trading period ending on the fifth business day prior to the closing of the acquisition. Fractional shares were acquired with cash. The consideration was approximately $2.3 million.

In connection with the acquisition, the Company recorded approximately $1.1 million of goodwill and $1.0 million of core deposit intangible. The core deposit intangible is to be expensed over 10 years.

The Company acquired GCCB’s $91.0 million loan portfolio at a fair value discount of approximately $2.2 million. The discount represents expected credit losses, adjusted for market interest rates and liquidity adjustments.

Expenses associated with the acquisition were $2.8 million for the nine month period ended September 30, 2017. These costs included systems conversion and integrating operations charges, as well as legal and consulting expenses, which have been expensed as incurred.

The preliminary amounts of the acquired identifiable assets and liabilities as of the acquisition date were as follows:

($ In Thousands)	
Purchase price:	
Cash and stock	$2,258
Total purchase price	2,258
Identifiable assets:	
Cash and due from banks	5,733
Investments	13,805
Loans	88,801
Core deposit intangible	953
Personal and real property	4,739
Other real estate	7,393
Deferred tax asset	6,693
Other assets	468
Total assets	128,585
Liabilities and equity:	
Deposits	111,993
Borrowed funds	14,450
Other liabilities	950
Total liabilities	127,393
Net assets acquired	1,192
Goodwill resulting from acquisition	1,066

Valuation adjustments have been made to securities, core deposit intangible, and other real estate since initially reported. Also, certain amounts have been reclassified to conform to the classifications of the Company.

The outstanding principal balance and the carrying amount of these loans included in the consolidated balance sheet at September 30, 2017, are as follows ($ In Thousands):

Outstanding principal balance	$67,225
Carrying amount	67,275

NOTE 5 – PREFERRED STOCK AND WARRANT

On December 6, 2016, the Company repurchased all 17,123 shares of its CDCI Preferred Shares at fair market value $15,925,000, which equated to a discount of 7% to par, or $1,198,000.

NOTE 6 — EARNINGS APPLICABLE TO COMMON STOCKHOLDERS

Basic per share data is calculated based on the weighted-average number of common shares outstanding during the reporting period. Diluted per share data includes any dilution from potential common stock outstanding, such as restricted stock grants.

	For the Three Months Ended September 30, 2017		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	$4,714,000	9,152,674	$ 0.52
Effect of dilutive shares:			
Restricted stock grants		71,807	
Diluted per share	$4,714,000	9,224,481	$ 0.51

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	For the Nine Months Ended September 30, 2017		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	$8,202,000	9,140,375	$ 0.90
Effect of dilutive shares:			
Restricted stock grants		71,807	
Diluted per share	$8,202,000	9,212,182	$ 0.89

	For the Three Months Ended September 30, 2016		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	$2,472,000	5,429,349	$ 0.46
Effect of dilutive shares:			
Restricted stock grants		50,218	
Diluted per share	$2,472,000	5,479,567	$ 0.45

	For the Nine Months Ended September 30, 2016		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	$7,554,000	5,425,567	$ 1.39
Effect of dilutive shares:			
Restricted stock grants		50,218	
Diluted per share	$7,554,000	5,475,785	$ 1.38

The Company granted 73,827 shares of restricted stock in the first quarter of 2017, 9,709 shares during the second quarter of 2017, and 750 shares during the third quarter of 2017.

NOTE 7 – COMPREHENSIVE INCOME

As presented in the Consolidated Statements of Comprehensive Income, comprehensive income includes net income and other comprehensive income. The Company’s sources of other comprehensive income are unrealized gains and losses on available-for-sale investment securities and loans held for sale. Gains or losses on investment securities that were realized and reflected in net income of the current period, which had previously been included in other comprehensive income as unrealized holding gains or losses in the period in which they arose, are considered to be reclassification adjustments that are excluded from other comprehensive income in the current period.

NOTE 8 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. At September 30, 2017, and December 31, 2016, these financial instruments consisted of the following:

($ In Thousands)	September 30, 2017	December 31, 2016
Commitments to extend credit	$ 265,233	$ 220,252
Standby letters of credit	8,204	1,742

NOTE 9 – FAIR VALUE DISCLOSURES AND REPORTING, THE FAIR VALUE OPTION AND FAIR VALUE MEASUREMENTS

FASB's standards on financial instruments, and on fair value measurements and disclosures, require all entities to disclose in their financial statement footnotes the estimated fair values of financial instruments for which it is practicable to estimate fair values. In addition to disclosure requirements, FASB's standard on investments requires that our debt securities which are classified as available-for-sale and our equity securities that have readily determinable fair values be measured and reported at fair value in our Consolidated Financial Statements. Certain impaired loans are also reported at fair value, as explained in greater detail below, and foreclosed assets are carried at the lower of cost or fair value. FASB's standard on financial instruments permits companies to report certain other financial assets and liabilities at fair value, but we have not elected the fair value option for any of those financial instruments.

Fair value measurement and disclosure standards also establish a framework for measuring fair values. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. Further, the standards establish a fair value hierarchy that encourages an entity to maximize the use of observable inputs and limit the use of unobservable inputs when measuring fair values. The standards describe three levels of inputs that may be used to measure fair values:

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

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

- Level 3: Significant unobservable inputs that reflect a company's own assumptions about the factors that market participants would likely consider in pricing an asset or liability.

Fair value estimates are made at a specific point in time based on relevant market data and information about the financial instruments. The estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to realized gains and losses could have a significant effect on fair value estimates but have not been considered in those estimates. Because no active market exists for a significant portion of our financial instruments, fair value disclosures are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. The estimates are subjective and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly alter the fair values presented. The following methods and assumptions were used by the Company to estimate its financial instrument fair values disclosed at September 30, 2017 and December 31, 2016:

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- Cash and cash equivalents and fed funds sold: The carrying amount is estimated to be fair value.

- Securities (available-for-sale and held-to-maturity): Fair values are determined by obtaining quoted prices on nationally recognized securities exchanges or by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities by relying on their relationship to other benchmark quoted securities when quoted prices for specific securities are not readily available.

- Loans and leases: For variable-rate loans and leases that re-price frequently with no significant change in credit risk or interest rate spread, fair values are based on carrying values. Fair values for other loans and leases are estimated by discounting projected cash flows at interest rates being offered at each reporting date for loans and leases with similar terms, to borrowers of comparable creditworthiness. The carrying amount of accrued interest receivable approximates its fair value.

- Loans held for sale: Since loans designated by the Company as available-for-sale are typically sold shortly after making the decision to sell them, realized gains or losses are usually recognized within the same period and fluctuations in fair values are not relevant for reporting purposes. If available-for-sale loans are held on our books for an extended period of time, the fair value of those loans is determined using quoted secondary-market prices.

- Collateral-dependent impaired loans: Collateral-dependent impaired loans are carried at fair value when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the original loan agreement and the loan has been written down to the fair value of its underlying collateral, net of expected disposition costs where applicable.

- Bank-owned life insurance: Fair values are based on net cash surrender policy values at each reporting date.

- Other securities: Certain investments for which no secondary market exists are carried at cost and the carrying amount for those investments typically approximates their estimated fair value, unless an impairment analysis indicates the need for adjustments.

- Deposits (noninterest-bearing and interest-bearing): Fair values for non-maturity deposits are equal to the amount payable on demand at the reporting date, which is the carrying amount. Fair values for fixed-rate certificates of deposit are estimated using a cash flow analysis, discounted at interest rates being offered at each reporting date by the Bank for certificates with similar remaining maturities. The carrying amount of accrued interest payable approximates its fair value.

- FHLB and other borrowings: Current carrying amounts are used as an approximation of fair values for federal funds purchased, overnight advances from the Federal Home Loan Bank (“FHLB”), borrowings under repurchase agreements, and other short-term borrowings maturing within ninety days of the reporting dates. Fair values of other short-term borrowings are estimated by discounting projected cash flows at the Company’s current incremental borrowing rates for similar types of borrowing arrangements.

- Long-term borrowings: Fair values are estimated using projected cash flows discounted at the Company's current incremental borrowing rates for similar types of borrowing arrangements.

- Subordinated debentures: Fair values are determined based on the current market value for like instruments of a similar maturity and structure.

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. <u>Off-Balance Sheet Instruments</u> – Fair values of off-balance sheet financial instruments are based on fees charged to enter into similar agreements. However, commitments to extend credit do not represent a significant value until such commitments are funded or closed. Management has determined that these instruments do not have a distinguishable fair value and no fair value has been assigned.

Estimated fair values for the Company’s financial instruments are as follows, as of the dates noted:

As of September 30, 2017
($ In Thousands)

			Fair Value Measurements		
	Carrying Amount	**Estimated Fair Value**	**Quoted Prices (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Instruments:					
Assets:					
Cash and cash equivalents	$93,317	$93,317	$93,317	$ -	$ -
Securities available-for-sale	353,035	353,035	931	349,770	2,334
Securities held-to-maturity	6,000	7,388	-	7,388	-
Other securities	9,556	9,556	-	9,556	-
Loans, net	1,194,606	1,222,370	-	-	1,222,370
Bank-owned life insurance	26,367	26,367	-	26,367	-
Liabilities:					
Noninterest-bearing deposits	$308,050	$308,050	$ -	$308,050	$ -
Interest-bearing deposits	1,199,941	1,198,411	-	1,198,411	-
Subordinated debentures	10,310	10,310	-	-	10,310
FHLB and other borrowings	94,321	94,321	-	94,321	-

As of December 31, 2016
($ In Thousands)

			Fair Value Measurements		
	Carrying Amount	**Estimated Fair Value**	Quoted Prices (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Instruments:					
Assets:					
Cash and cash equivalents	$62,119	$62,119	$62,119	$ -	$ -
Securities available-for-sale	243,206	243,206	940	240,025	2,241
Securities held-to-maturity	6,000	7,394	-	7,394	-
Other securities	6,593	6,593	-	6,593	-
Loans, net	865,424	883,161	-	-	883,161
Bank-owned life insurance	21,250	21,250	-	21,250	-
Liabilities:					
Noninterest- bearing deposits	$202,478	$202,478	$-	$ 202,478	$ -
Interest-bearing deposits	836,713	835,658	-	835,658	-
Subordinated debentures	10,310	10,310	-	-	10,310
FHLB and other borrowings	69,000	69,000	-	69,000	-

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, mortgage products and exchange traded equities. If quoted market prices are not available, securities are classified within Level 2 of the valuation hierarchy, and fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities include U. S. agency securities, mortgage-backed securities, obligations of states and political subdivisions and certain corporate, asset-backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

Assets measured at fair value on a recurring basis are summarized below:

<u>September 30, 2017</u>

($ In Thousands)

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets For Identical Assets** (Level 1)	**Significant Other Observable Inputs** (Level 2)	**Significant Unobservable Inputs** (Level 3)
Obligations of U. S. Government Agencies	$ 6,505	$ -	$ 6,505	$ -
Municipal securities	135,155	-	135,155	-
Mortgage-backed securities	193,039	-	193,039	-
Corporate obligations	17,405	-	15,071	2,334
Other	931	931	-	-
Total	$ 353,035	$ 931	$ 349,770	$ 2,334

December 31, 2016

($ In Thousands)

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets For Identical Assets** (Level 1)	**Significant Other Observable Inputs** (Level 2)	**Significant Unobservable Inputs** (Level 3)
Obligations of U. S. Government Agencies	$ 9,045	$ -	$ 9,045	$ -
Municipal securities	98,822	-	98,822	-
Mortgage-backed securities	114,289	-	114,289	-
Corporate obligations	20,110	-	17,869	2,241
Other	940	940	-	-
Total	$ 243,206	$ 940	$ 240,025	$ 2,241

The following is a reconciliation of activity for assets measured at fair value based on significant unobservable (non-market) information.

($ In Thousands)

	Bank-Issued Trust Preferred Securities	
	2017	**2016**
Balance, January 1	$ 2,241	$ 2,557
Transfers into Level 3	-	-
Transfers out of Level 3	-	-

Other-than-temporary impairment loss included in earnings (loss)	-	-
Unrealized gain (loss) included in comprehensive income	93	(316)
Balance at September 30, 2017 and December 31, 2016	$2,334	$2,241

The following table presents quantitative information about recurring Level 3 fair value measurements (in thousands):

Trust Preferred Securities	**Fair Value**	**Valuation Technique**	**Significant Unobservable Inputs**	**Range of Inputs**
September 30, 2017	$ 2,334	Discounted cash flow	Probability of default	1.87% - 3.50%
December 31, 2016	$ 2,241	Discounted cash flow	Probability of default	1.50% - 3.34%

Following is a description of the valuation methodologies used for assets measured at fair value on a non-recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

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Impaired Loans

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans or, where a loan is determined not to be collateral dependent, using the discounted cash flow method.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. If the impaired loan is determined not to be collateral dependent, then the discounted cash flow method is used. This method requires the impaired loan to be recorded at the present value of expected future cash flows discounted at the loan's effective interest rate. The effective interest rate of a loan is the contractual interest rate adjusted for any net deferred loan fees or costs, or premium or discount existing at origination or acquisition of the loan. Impaired loans are classified within Level 2 of the fair value hierarchy.

Other Real Estate Owned

Other real estate owned acquired through loan foreclosure is initially recorded at fair value less estimated costs to sell, establishing a new cost basis. The adjustment at the time of foreclosure is recorded through the allowance for loan losses. Due to the subjective nature of establishing the fair value, the actual fair value of the other real estate owned or foreclosed asset could differ from the original estimate. If it is determined the fair value declines subsequent to foreclosure, a valuation allowance is recorded through non-interest expense. Operating costs associated with the assets are also recorded as non-interest expense. Gains and losses on the disposition of other real estate owned and foreclosed assets are netted and posted to other non-interest expense. Other real estate owned measured at fair value on a non-recurring basis at September 30, 2017, amounted to $7.9 million. Other real estate owned is classified within Level 2 of the fair value hierarchy.

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fell at September 30, 2017 and December 31, 2016.

($ In Thousands)

<u>September 30, 2017</u>

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets For Identical Assets** (Level 1)	**Significant Other Observable Inputs** (Level 2)	**Significant Unobservable Inputs** (Level 3)
Impaired loans	$ 9,885	$ -	$ 9,885	$ -
Other real estate owned	7,855	-	7,855	-

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December 31, 2016

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets For Identical Assets** (Level 1)	**Significant Other Observable Inputs** (Level 2)	**Significant Unobservable Inputs** (Level 3)
Impaired loans	$ 6,128	$ -	$ 6,128	$ -
Other real estate owned	6,008	-	6,008	-

NOTE 10 - SECURITIES

The following disclosure of the estimated fair value of financial instruments is made in accordance with authoritative guidance. The estimated fair value amounts have been determined using available market information and valuation methodologies that management believes are appropriate. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

A summary of the amortized cost and estimated fair value of available-for-sale securities and held-to-maturity securities at September 30, 2017 and December 31, 2016, follows:

($ In Thousands)

September 30, 2017

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Obligations of U.S. Government agencies	$6,494	$ 14	$ 3	$6,505
Tax-exempt and taxable obligations of states and municipal subdivisions	132,323	3,069	237	135,155
Mortgage-backed securities	191,869	1,712	542	193,039
Corporate obligations	18,368	69	1,032	17,405
Other	1,255	-	324	931
	$350,309	$ 4,864	$ 2,138	$353,035
Held-to-maturity securities:				
Taxable obligations of states and municipal subdivisions	$6,000	$ 1,388	$ -	$7,388

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	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Obligations of U.S. Government agencies	$9,023	$ 28	$ 6	$9,045
Tax-exempt and taxable obligations of states and municipal subdivisions	98,328	1,678	1,184	98,822
Mortgage-backed securities	114,991	602	1,304	114,289
Corporate obligations	21,274	66	1,230	20,110
Other	1,256	-	316	940
	$244,872	$ 2,374	$ 4,040	$243,206
Held-to-maturity securities:				
Taxable obligations of states and municipal subdivisions	$6,000	$ 1,394	$ -	$7,394

NOTE 11 – LOANS

Loans typically provide higher yields than the other types of earning assets, and, thus, one of the Company's goals is for loans to be the largest category of the Company's earning assets. For the quarters ended September 30, 2017 and December 31, 2016, average loans accounted for 74.1% and 73.8% of average earning assets, respectively. The Company controls and mitigates the inherent credit and liquidity risks through the composition of its loan portfolio.

Generally, the Company will place a delinquent loan in nonaccrual status when the loan becomes 90 days or more past due. At the time a loan is placed in nonaccrual status, all interest which has been accrued on the loan but remains unpaid is reversed and deducted from earnings as a reduction of reported interest income. No additional interest is accrued on the loan balance until the collection of both principal and interest becomes reasonably certain. The following tables summarize by class our loans classified as past due in excess of 30 days or more in addition to those loans classified as non-accrual:

September 30, 2017

($ In thousands)

	Past Due 30 to 89 Days	Past Due 90 Days or More	Non-Accrual	Total Past Due and	Total Loans

		and Still Accruing		Non-Accrual	
Real Estate-construction	$ 497	$ 105	$ 98	$ 700	$ 171,609
Real Estate-mortgage	1,630	180	2,733	4,543	377,307
Real Estate-non farm non-residential	759	-	1,764	2,523	456,110
Commercial	115	1,151	211	1,477	164,577
Lease Financing Rec.	-	-	-	-	2,008
Obligations of states and subdivisions	-	-	-	-	5,892
Consumer	140	-	46	186	20,690
Total	$ 3,141	$ 1,436	$ 4,852	$ 9,429	$ 1,198,193

December 31, 2016

($ In Thousands)

	Past Due 30 to 89 Days	**Past Due 90 Days or More and Still Accruing**	Non-Accrual	**Total Past Due and Non-Accrual**	**Total Loans**
Real Estate-construction	$ 204	$ 96	$ 658	$ 958	$ 109,394
Real Estate-mortgage	2,745	102	1,662	4,509	289,640
Real Estate-non farm non residential	269	-	909	1,178	314,359
Commercial	9	-	2	11	129,423
Lease Financing Rec.	-	-	-	-	2,204
Obligations of states and subdivisions	-	-	-	-	6,698
Consumer	22	-	33	55	15,336
Total	$ 3,249	$ 198	$ 3,264	$ 6,711	$ 867,054

In connection with our acquisition of BCB Holding Company, Inc. in 2014, we acquired loans with deteriorated credit quality. These loans were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses. The acquired loans were segregated as of the acquisition date between those considered to be performing (acquired non-impaired loans) and those with evidence of credit deterioration (acquired impaired loans). Acquired loans are considered impaired if there is evidence of credit deterioration and if it is probable, at acquisition, all contractually required payments will not be collected.

The following table presents information regarding the contractually required payments receivable, cash flows expected to be collected and the estimated fair value of loans acquired in the BCB acquisition as of July 1, 2014, the closing date of the transaction:

($ In Thousands)

	Commercial,	**Mortgage-**	**Mortgage-**	**Commercial**	Total

	financial and agricultural	Commercial	Residential	and other	
Contractually required payments	$ 1,519	$ 29,648	$ 7,933	$ 976	$40,076
Cash flows expected to be collected	1,570	37,869	9,697	1,032	50,168
Fair value of loans acquired	1,513	28,875	7,048	957	38,393

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Total outstanding acquired impaired loans were $2.1 million as of September 30, 2017 and $2.2 million as of December 31, 2016. The outstanding balance of these loans is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loans, owed at the reporting date, whether or not currently due and whether or not any such amounts have been charged off.

Changes in the carrying amount and accretable yield for acquired impaired loans were as follows at September 30, 2017 and December 31, 2016:

($ In Thousands)

	September 30, 2017		December 31, 2016	
	Accretable Yield	**Carrying Amount of Loans**	**Accretable Yield**	**Carrying Amount of Loans**
Balance at beginning of period	$ 894	$ 1,305	$ 1,219	$ 1,821
Accretion	(43)	43	(325)	325
Payments received, net	-	(139)	-	(841)
Balance at end of period	$ 851	$ 1,209	$ 894	$ 1,305

The following tables provide additional detail of impaired loans broken out according to class as of September 30, 2017 and December 31, 2016. The recorded investment included in the following tables represents customer balances net of any partial charge-offs recognized on the loans, net of any deferred fees and costs. As nearly all of our impaired loans at September 30, 2017 are on nonaccrual status, recorded investment excludes any insignificant amount of accrued interest receivable on loans 90-days or more past due and still accruing. The unpaid balance represents the recorded balance prior to any partial charge-offs.

September 30, 2017

($ In Thousands)

	Recorded Investment	Unpaid Balance	Related Allowance	Average Recorded Investment YTD	Interest Income Recognized YTD
Impaired loans with no related allowance:					
Commercial installment	$ 15	$ 15	$ -	$ 45	$ -
Commercial real estate	4,383	4,504	-	3,358	89

Consumer real estate	2,235	2,437	-	1,826	63
Consumer installment	29	29	-	14	-
Total	$ 6,662	$6,985	$ -	$ 5,243	$ 152
Impaired loans with a related allowance:					
Commercial installment	$ 195	$195	$ 101	$ 115	$ -
Commercial real estate	2,499	2,499	237	2,786	80
Consumer real estate	506	506	136	490	12
Consumer installment	23	23	17	24	-
Total	$ 3,223	$3,223	$ 491	$ 3,415	$ 92
Total Impaired Loans:					
Commercial installment	$ 210	$210	$ 101	$ 160	$ -
Commercial real estate	6,882	7,003	237	6,144	169
Consumer real estate	2,741	2,943	136	2,316	75
Consumer installment	52	52	17	38	-
Total Impaired Loans	$ 9,885	$10,208	$ 491	$ 8,658	$ 244

As of September 30, 2017, the Company had $1.0 million of foreclosed residential real estate property obtained by physical possession and $0.2 million of consumer mortgage loans secured by residential real estate properties for which foreclosure proceedings are in process according to local jurisdictions.

December 31, 2016

($ In Thousands)

	Recorded Investment	Unpaid Balance	Related Allowance	Average Recorded Investment YTD	Interest Income Recognized YTD
Impaired loans with no related allowance:					
Commercial installment	$ -	$ -	$ -	$ -	$ -
Commercial real estate	2,324	2,570	-	4,368	37
Consumer real estate	329	329	-	291	1
Consumer installment	14	14	-	9	-
Total	$ 2,667	$ 2,913	$ -	$ 4,668	$ 38
Impaired loans with a related allowance:					
Commercial installment	$ 153	$ 153	$ 10	$ 244	$ 9
Commercial real estate	2,726	2,726	343	2,832	127
Consumer real estate	556	669	308	733	14
Consumer installment	26	27	21	32	-
Total	$ 3,461	$ 3,575	$ 682	$ 3,841	$ 150
Total Impaired Loans:					
Commercial installment	$ 153	$ 153	$ 10	$ 244	$ 9
Commercial real estate	5,050	5,296	343	7,200	164
Consumer real estate	885	998	308	1,024	15
Consumer installment	40	41	21	41	-
Total Impaired Loans	$ 6,128	$ 6,488	$ 682	$ 8,509	$ 188

The following table represents the Company's impaired loans at September 30, 2017, and December 31, 2016.

	Sept. 30, 2017	December 31, 2016
	($ In Thousands)	

Impaired Loans:		
Impaired loans without a valuation allowance	$6,662	$ 2,667
Impaired loans with a valuation allowance	3,223	3,461
Total impaired loans	$9,885	$ 6,128
Allowance for loan losses on impaired loans at period end	491	682
Total nonaccrual loans	4,852	3,264
Past due 90 days or more and still accruing	1,436	198
Average investment in impaired loans	8,658	8,509

The following table is a summary of interest recognized and cash-basis interest earned on impaired loans:

($ In Thousands)	Three Months Ended Sept. 30, 2017	Nine Months Ended Sept. 30, 2017
Interest income recognized during impairment	-	-
Cash-basis interest income recognized	60	244

The gross interest income that would have been recorded in the period that ended if the nonaccrual loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination, if held for part of the three months and nine months ended September 30, 2017 was $90,000 and $243,000, respectively. The Company had no loan commitments to borrowers in non-accrual status at September 30, 2017 and December 31, 2016.

If the Company grants a concession to a borrower in financial difficulty, the loan is classified as a troubled debt restructuring ("TDR"). The following tables provide detail of TDRs at Sept. 30, 2017.

For the Three Months Ending September 30, 2017

($ In Thousands)

	Outstanding Recorded Investment Pre-Modification	Outstanding Recorded Investment Post-Modification	Number of Loans	Interest Income Recognized
Commercial installment	$-	$-	-	$-
Commercial real estate	-	-	-	-
Consumer real estate	-	-	-	-
Consumer installment	-	-	-	-
Total	$-	$-	-	$-

For the Nine Months Ending September 30, 2017

($ In Thousands)

	Outstanding Recorded Investment Pre-Modification	Outstanding Recorded Investment Post-Modification	Number of Loans	Interest Income Recognized
Commercial installment	$ -	$ -	-	$ -
Commercial real estate	-	-	-	-
Consumer real estate	152	149	2	5
Consumer installment	-	-	-	-
Total	$ 152	$ 149	2	$ 5

There were no TDRs modified during the three month period ended September 30, 2017. The balance of TDRs was $7.3 million at September 30, 2017 and $4.1 million at December 31, 2016, respectively, calculated for regulatory reporting purposes. There was $0.2 million allocated in specific reserves established with respect to these loans as of September 30, 2017. As of September 30, 2017, the Company had no additional amount committed on any loan classified as TDR.

The following tables set forth the amounts and past due status for the Bank TDRs at September 30, 2017 and December 31, 2016:

($ In Thousands)

	September 30, 2017				
	Current Loans	**Past Due 30-89**	**Past Due 90 days and still accruing**	**Non-accrual**	**Total**
Commercial installment	$ -				