Ameris Bancorp
Form 10-Q
August 07, 2015
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

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

**For the quarterly period ended June 30, 2015**

**OR**

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

**Commission File Number: 001-13901**

**AMERIS BANCORP**

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **GEORGIA** | **58-1456434** |
| **(State of incorporation)** | **(IRS Employer ID No.)** |

**310 FIRST STREET, S.E., MOULTRIE, GA 31768**

**(Address of principal executive offices)**

**(229) 890-1111**

**(Registrant s telephone number)**

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 x No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer ¨ | Accelerated filer x |
| Non-accelerated filer ¨ (Do not check if a smaller reporting company) | Smaller reporting company ¨ |

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

There were 32,195,089 shares of Common Stock outstanding as of July 31, 2015.

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**AMERIS BANCORP**

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**Item 1. Financial Statements.**

**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(dollars in thousands, except per share data)**

| | June 30, 2015 (Unaudited) | December 31, 2014 (Audited) | June 30, 2014 (Unaudited) |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | $ 115,413 | $ 78,036 | $ 80,986 |
| Federal funds sold and interest-bearing accounts | 239,804 | 92,323 | 44,800 |
| Investment securities available for sale, at fair value | 862,154 | 541,805 | 535,630 |
| Other investments | 9,322 | 10,275 | 10,971 |
| Mortgage loans held for sale, at fair value | 108,829 | 94,759 | 81,491 |
| Loans, net of unearned income | 2,171,600 | 1,889,881 | 1,770,059 |
| Purchased loans not covered by FDIC loss share agreements ( purchased non-covered loans ) | 808,313 | 674,239 | 702,131 |
| Purchased loan pools not covered by FDIC loss share agreements ( purchased loan pools ) | 268,984 | | |
| Purchased loans covered by FDIC loss share agreements ( covered loans ) | 209,598 | 271,279 | 331,250 |
| Less: allowance for loan losses related to non-purchased loans | (21,658) | (21,157) | (22,254) |
| Loans, net | 3,436,837 | 2,814,242 | 2,781,186 |
| Other real estate owned, net | 22,567 | 33,160 | 35,373 |
| Purchased, non-covered other real estate owned, net | 13,112 | 15,585 | 16,598 |
| Covered other real estate owned, net | 12,626 | 19,907 | 38,426 |
| Total other real estate owned, net | 48,305 | 68,652 | 90,397 |
| Premises and equipment, net | 124,916 | 97,251 | 99,495 |
| FDIC loss-share receivable | 14,957 | 31,351 | 49,180 |
| Other intangible assets, net | 19,189 | 8,221 | 9,812 |
| Goodwill | 87,367 | 63,547 | 58,903 |
| Cash value of bank owned life insurance | 59,552 | 58,867 | 57,864 |
| Other assets | 79,089 | 77,748 | 72,420 |
| Total assets | $ 5,205,734 | $ 4,037,077 | $ 3,973,135 |
| **Liabilities and Stockholders Equity** | | | |
| **Liabilities** | | | |
| Deposits: | | | |

| | | | |
|---|---|---|---|
| Noninterest-bearing | $ 1,280,174 | $ 839,377 | $ 790,798 |
| Interest-bearing | 3,231,373 | 2,591,772 | 2,598,237 |
| Total deposits | 4,511,547 | 3,431,149 | 3,389,035 |
| Securities sold under agreements to repurchase | 75,066 | 73,310 | 51,109 |
| Other borrowings | 39,000 | 78,881 | 100,293 |
| Other liabilities | 24,026 | 22,384 | 24,457 |
| Subordinated deferrable interest debentures | 69,325 | 65,325 | 64,842 |
| Total liabilities | 4,718,964 | 3,671,049 | 3,629,736 |
| **Stockholders Equity** | | | |
| Preferred stock, stated value $1,000; 5,000,000 shares authorized; 0 shares issued and outstanding | | | |
| Common stock, par value $1; 100,000,000 shares authorized; 33,608,866; 28,159,027 and 28,155,317 issued | 33,609 | 28,159 | 28,155 |
| Capital surplus | 336,212 | 225,015 | 223,888 |
| Retained earnings | 126,265 | 118,412 | 98,847 |
| Accumulated other comprehensive income | 3,072 | 6,098 | 4,123 |
| Treasury stock, at cost, 1,413,777; 1,385,164 and 1,383,496 shares | (12,388) | (11,656) | (11,614) |
| Total stockholders equity | 486,770 | 366,028 | 343,399 |
| Total liabilities and stockholders equity | $ 5,205,734 | $ 4,037,077 | $ 3,973,135 |

**See notes to unaudited consolidated financial statements.**

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**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME/(LOSS)**

**(dollars in thousands, except per share data)**

**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Interest income** | | | | |
| Interest and fees on loans | $ 39,838 | $ 35,297 | $ 78,456 | $ 69,766 |
| Interest on taxable securities | 3,747 | 2,953 | 6,900 | 5,938 |
| Interest on nontaxable securities | 462 | 312 | 931 | 647 |
| Interest on deposits in other banks and federal funds sold | 182 | 45 | 310 | 129 |
| Total interest income | 44,229 | 38,607 | 86,597 | 76,480 |
| **Interest expense** | | | | |
| Interest on deposits | 2,264 | 2,205 | 4,544 | 4,388 |
| Interest on other borrowings | 1,277 | 1,138 | 2,533 | 2,344 |
| Total interest expense | 3,541 | 3,343 | 7,077 | 6,732 |
| Net interest income | 40,688 | 35,264 | 79,520 | 69,748 |
| **Provision for loan losses** | 2,656 | 1,365 | 3,725 | 3,091 |
| Net interest income after provision for loan losses | 38,032 | 33,899 | 75,795 | 66,657 |
| **Noninterest income** | | | | |
| Service charges on deposit accounts | 7,151 | 5,847 | 13,580 | 11,433 |
| Mortgage banking activity | 9,727 | 7,002 | 17,810 | 12,166 |
| Other service charges, commissions and fees | 829 | 662 | 1,497 | 1,314 |
| Gain on sale of securities | 10 | | 22 | 6 |
| Other noninterest income | 2,909 | 2,308 | 5,292 | 3,654 |
| Total noninterest income | 20,626 | 15,819 | 38,201 | 28,573 |
| **Noninterest expense** | | | | |
| Salaries and employee benefits | 22,465 | 16,942 | 43,097 | 34,336 |
| Occupancy and equipment | 4,809 | 4,071 | 9,363 | 8,135 |
| Advertising and marketing expenses | 833 | 718 | 1,474 | 1,428 |
| Amortization of intangible assets | 630 | 437 | 1,260 | 970 |
| Data processing and communications costs | 4,214 | 3,940 | 8,474 | 7,394 |

| | | | | |
|---|---|---|---|---|
| Credit resolution-related expenses | 11,240 | 2,840 | 14,401 | 5,030 |
| Merger and conversion charges | 5,712 | 2,872 | 5,727 | 3,322 |
| Other noninterest expenses | 6,961 | 5,498 | 13,895 | 9,942 |
| Total noninterest expense | 56,864 | 37,318 | 97,691 | 70,557 |
| Income before income tax expense | 1,794 | 12,400 | 16,305 | 24,673 |
| Income tax expense | 486 | 4,270 | 5,233 | 8,193 |
| Net income | 1,308 | 8,130 | 11,072 | 16,480 |
| Less preferred stock dividends and discount accretion | | | | 286 |
| Net income available to common shareholders | $ 1,308 | $ 8,130 | $ 11,072 | $ 16,194 |
| **Other comprehensive income (loss)** | | | | |
| Unrealized holding gains (losses) arising during period on investment securities available for sale, net of tax of $1,901, $1,142, $1,561 and $2,724 | (3,531) | 2,121 | (2,881) | 5,059 |
| Reclassification adjustment for gains included in earnings, net of tax of $3, $0, $8 and $2 | (6) | | (14) | (4) |
| Unrealized gains (losses) on cash flow hedges arising during period, net of tax of $138, $200, $70 and $344 | 256 | (372) | (131) | (638) |
| **Other comprehensive income (loss)** | (3,281) | 1,749 | (3,026) | 4,417 |
| **Total comprehensive income (loss)** | $ (1,973) | $ 9,879 | $ 8,046 | $ 20,897 |
| **Basic earnings per common share** | $ 0.04 | $ 0.32 | $ 0.35 | $ 0.64 |
| **Diluted earnings per common share** | $ 0.04 | $ 0.32 | $ 0.35 | $ 0.63 |
| **Dividends declared per common share** | $ 0.05 | $ 0.05 | $ 0.10 | $ 0.05 |
| **Weighted average common shares outstanding** | | | | |
| Basic | 32,184 | 25,181 | 31,318 | 25,163 |
| Diluted | 32,520 | 25,572 | 31,653 | 25,552 |

**See notes to unaudited consolidated financial statements.**

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**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

**(dollars in thousands, except per share data)**

**(Unaudited)**

| | Six Months Ended June 30, 2015 | | Six Months Ended June 30, 2014 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | **Shares** | **Amount** |
| **PREFERRED STOCK** | | | | |
| Balance at beginning of period | | $ | 28,000 | $ 28,000 |
| Repurchase of preferred stock | | | (28,000) | (28,000) |
| ***Issued at end of period*** | | **$** | | **$** |
| **COMMON STOCK** | | | | |
| Balance at beginning of period | 28,159,027 | $ 28,159 | 26,461,769 | $ 26,462 |
| Issuance of common stock | 5,320,000 | 5,320 | 1,598,987 | 1,599 |
| Proceeds from exercise of stock options | 58,839 | 59 | 26,514 | 26 |
| Issuance of restricted shares | 71,000 | 71 | 68,047 | 68 |
| ***Issued at end of period*** | **33,608,866** | **$ 33,609** | **28,155,317** | **$ 28,155** |
| **CAPITAL SURPLUS** | | | | |
| Balance at beginning of period | | $ 225,015 | | $ 189,722 |
| Stock-based compensation | | 760 | | 1,012 |
| Issuance of common shares, net of issuance costs of $4,811 and $0 | | 109,569 | | 32,875 |
| Proceeds from exercise of stock options | | 939 | | 347 |
| Issuance of restricted shares | | (71) | | (68) |
| ***Balance at end of period*** | | **$ 336,212** | | **$ 223,888** |
| **RETAINED EARNINGS** | | | | |
| Balance at beginning of period | | $ 118,412 | | $ 83,991 |
| Net income | | 11,072 | | 16,480 |
| Dividends on preferred shares | | | | (286) |
| Dividends on common shares | | (3,219) | | (1,338) |
| ***Balance at end of period*** | | **$ 126,265** | | **$ 98,847** |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX** | | | | |
| Unrealized gains on securities and derivatives: | | | | |
| Balance at beginning of period | | $ 6,098 | | $ (294) |
| Other comprehensive income (loss) during the period | | (3,026) | | 4,417 |
| ***Balance at end of period*** | | **$ 3,072** | | **$ 4,123** |

| | | | | |
|---|---|---|---|---|
| **TREASURY STOCK** | | | | |
| Balance at beginning of period | (1,385,164) | $ (11,656) | (1,363,342) | $ (11,182) |
| Purchase of treasury shares | (28,613) | (732) | (20,154) | (432) |
| ***Balance at end of period*** | **(1,413,777)** | **$ (12,388)** | **(1,383,496)** | **$ (11,614)** |
| ***TOTAL STOCKHOLDERS EQUITY*** | | **$ 486,770** | | **$ 343,399** |

**See notes to unaudited consolidated financial statements.**

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**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(dollars in thousands)**

**(Unaudited)**

| | Six Months Ended June 30, 2015 | 2014 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 11,072 | $ 16,480 |
| Adjustments reconciling net income to net cash provided by operating activities: | | |
| Depreciation | 3,950 | 3,709 |
| Amortization of intangible assets | 1,260 | 970 |
| Net amortization of investment securities available for sale | 2,669 | 1,525 |
| Net gains on securities available for sale | (22) | (6) |
| Stock based compensation expense | 760 | 1,012 |
| Net losses on sale or disposal of premises and equipment | 98 | 1 |
| Net write-downs and losses on sale of other real estate owned | 9,779 | 1,985 |
| Provision for loan losses | 3,725 | 3,091 |
| Accretion of discount on covered loans | (6,251) | (15,432) |
| Accretion of discount on purchased non-covered loans | (5,388) | (3,153) |
| Changes in FDIC loss-share receivable, net of cash payments received | 3,855 | 5,685 |
| Increase in cash surrender value of BOLI | (685) | (620) |
| Originations of mortgage loans held for sale | (472,660) | (316,767) |
| Proceeds from sales of mortgage loans held for sale | 449,570 | 305,546 |
| Net gains on sale of mortgage loans held for sale | (18,244) | (11,935) |
| Originations of SBA loans | (26,684) | (24,586) |
| Proceeds from sales of SBA loans | 20,539 | 11,418 |
| Net gains on sale of SBA loans | (2,290) | (1,250) |
| Change attributable to other operating activities | 7,683 | 7,585 |
| **Net cash used in operating activities** | (17,264) | (14,742) |
| **Cash flows from investing activities, net of effect of business combinations:** | | |
| Net (increase) decrease in federal funds sold and interest-bearing deposits | (41,293) | 176,107 |
| Purchase of securities available for sale | (230,226) | (68,632) |
| Proceeds from maturities of securities available for sale | 36,544 | 22,493 |
| Proceeds from sales of securities available for sale | 30,113 | 69,768 |
| Decrease in restricted equity securities, net | 1,825 | 6,832 |
| Net increase in loans, excluding purchased non-covered and covered loans | (257,665) | (129,977) |
| Purchases of loan pools | (268,984) | |
| Payments received on purchased non-covered loans | 80,668 | 27,791 |
| Payments received on covered loans | 42,103 | 64,743 |

| | | |
|---|---|---|
| Purchases of premises and equipment | (6,595) | (2,223) |
| Proceeds from sales of premises and equipment | 217 | 56 |
| Proceeds from sales of other real estate owned | 27,691 | 17,420 |
| Payments received from FDIC under loss-share agreements | 12,539 | 10,576 |
| Net cash proceeds received from acquisitions | 567,652 | 1,099 |
| **Net cash provided by (used in) investing activities** | (5,411) | 196,053 |

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| | | |
|---|---|---|
| **Cash flows from financing activities, net of effect of business combinations:** | | |
| Net increase in deposits | 27,829 | 20,780 |
| Net decrease in securities sold under agreements to repurchase | (39,832) | (37,835) |
| Proceeds from other borrowings | | 57,463 |
| Repayment of other borrowings | (39,881) | (174,005) |
| Redemption of preferred stock | | (28,000) |
| Dividends paid preferred stock | | (286) |
| Dividends paid common stock | (3,220) | (1,338) |
| Purchase of treasury shares | (731) | (432) |
| Issuance of common stock | 114,889 | |
| Proceeds from exercise of stock options | 998 | 373 |
| **Net cash provided by (used in) financing activities** | 60,052 | (163,280) |
| **Net increase in cash and due from banks** | 37,377 | 18,031 |
| **Cash and due from banks at beginning of period** | 78,036 | 62,955 |
| **Cash and due from banks at end of period** | $ 115,413 | $ 80,986 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| Cash paid/(received) during the period for: | | |
| Interest | $ 7,220 | $ 6,740 |
| Income taxes | $ 2,659 | $ 5,583 |
| Loans (excluding purchased non-covered and covered loans) transferred to other real estate owned | $ 8,636 | $ 6,400 |
| Purchased non-covered loans transferred to other real estate owned | $ 2,039 | $ 1,425 |
| Covered loans transferred to other real estate owned | $ 6,534 | $ 9,083 |
| Loans provided for the sales of other real estate owned | $ 1,948 | $ 578 |
| Change in unrealized gain on securities available for sale, net of tax | $ (2,895) | $ 5,055 |
| Change in unrealized loss on cash flow hedge (interest rate swap), net of tax | $ (131) | $ (638) |
| Issuance of common stock in acquisitions | $ | $ 34,474 |

**See notes to unaudited consolidated financial statements.**

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**AMERIS BANCORP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**(Unaudited)**

## NOTE 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Ameris Bancorp (the Company or Ameris ) is a financial holding company headquartered in Moultrie, Georgia. Ameris conducts substantially all of its operations through its wholly owned banking subsidiary, Ameris Bank (the Bank ). At June 30, 2015 the Bank operated 103 branches in select markets in Georgia, Alabama, Florida and South Carolina. Our business model capitalizes on the efficiencies of a large financial services company while still providing the community with the personalized banking service expected by our customers. We manage our Bank through a balance of decentralized management responsibilities and efficient centralized operating systems, products and loan underwriting standards. The Company s Board of Directors and senior managers establish corporate policy, strategy and administrative policies. Within our established guidelines and policies, the banker closest to the customer responds to the differing needs and demands of his or her unique market.

The accompanying unaudited consolidated financial statements for Ameris have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. The interim consolidated financial statements included herein are unaudited but reflect all adjustments (consisting of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the period ended June 30, 2015 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto and the report of our registered independent public accounting firm included in the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

***Newly Issued Accounting Pronouncements***

ASU 2015-03 *Interest Imputation of Interest* ( ASU 2015-03 ). ASU 2015-03 simplifies presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. ASU 2015-03 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, and early adoption is permitted. It should be applied on a retrospective basis. The Company is currently evaluating the impact this standard will have on the Company s results of operations, financial position or disclosures.

ASU 2015-02 *Consolidation (Topic 810) Amendments to the Consolidation Analysis* ( ASU 2015-02 ). ASU 2015-02 includes amendments that are intended to improve targeted areas of consolidation for legal entities including reducing the number of consolidation models from four to two and simplifying the FASB Accounting Standards Codification. ASU 2015-02 is effective for annual and interim periods within those annual periods, beginning after December 15, 2015. The amendments may be applied retrospectively in previously issued financial statements for one or more years with a cumulative effect adjustment to retained earnings as of the beginning of the first year restated. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact this standard will have on the Company s results of operations, financial position or disclosures.

ASU 2015-01 *Income Statement Extraordinary and Unusual Items* ( ASU 2015-01 ). ASU 2015-01 eliminates the concept of extraordinary items by no longer allowing companies to segregate an extraordinary item from the results of operations, separately present an extraordinary item on the income statement, or disclose income taxes or earnings-per-share data applicable to an extraordinary item. ASU 2015-01 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, and early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company s results of operations, financial position or disclosures.

ASU 2014-11 *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* ( ASU 2014-11 ). ASU 2014-11 impacted FASB ASC 860 *Transfers and Servicing* by changing the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The amendments also require new disclosures. An entity is required to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. An entity must also provide additional information about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. An entity is required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The amendments in this update became effective for interim and annual periods beginning after December 15, 2014 and did not have a material impact on the consolidated financial statements although the required disclosures have been included in Note 7.

ASU 2014-09 *Revenue from Contracts with Customers* ( ASU 2014-09 ). ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective prospectively, for annual and interim periods, beginning after December 15, 2017. The Company is currently evaluating the impact this standard will have on the Company s results of operations, financial position or disclosures.

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## NOTE 2 BUSINESS COMBINATIONS

*Branch Acquisition*

On June 12, 2015, the Company completed its acquisition of 18 branches from Bank of America, National Association located in Calhoun, Columbia, Dixie, Hamilton, Suwanee and Walton Counties, Florida and Ben Hill, Colquitt, Dougherty, Laurens, Liberty, Thomas, Tift and Ware Counties, Georgia. Under the terms of the Purchase and Assumption Agreement dated January 28, 2015, the Company paid a deposit premium of $20.0 million, equal to 3.00% of the average daily deposits for the 15 calendar day period immediately prior to the acquisition date. In addition, the Company acquired approximately $4.4 million in loans and $11.4 million in premises and equipment.

The acquisition of the 18 branches was accounted for using the purchase method of accounting in accordance with FASB ASC 805, *Business Combinations*. Assets acquired, liabilities assumed and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. Management continues to evaluate fair value adjustments related to premises and core deposit intangible assets acquired.

The following table presents the assets acquired and liabilities assumed as of June 12, 2015 and their initial fair value estimates. The fair value adjustments shown in the following table continue to be evaluated by management and may be subject to further adjustment:

| (Dollars in Thousands) | As Recorded by Bank of America | Fair Value Adjustments | As Recorded by Ameris |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 630,220 | $ | $ 630,220 |
| Loans | 4,363 | | 4,363 |
| Premises and equipment | 10,348 | 1,060(a) | 11,408 |
| Intangible assets | | 7,651(b) | 7,651 |
| Other assets | 126 | | 126 |
| Total assets | $ 645,057 | $ 8,711 | $ 653,768 |
| **Liabilities** | | | |
| Deposits: | | | |
| Noninterest-bearing | $ 149,854 | $ | $ 149,854 |
| Interest-bearing | 495,110 | (215)(c) | 494,895 |
| Total deposits | 644,964 | (215) | 644,749 |
| Other liabilities | 93 | | 93 |
| Total liabilities | 645,057 | (215) | 644,842 |
| | | 8,926 | 8,926 |

| | | | |
|---|---|---|---|
| Net identifiable assets acquired over (under) liabilities assumed | | | |
| Goodwill | | 11,076 | 11,076 |
| Net assets acquired over (under) liabilities assumed | $ | $ 20,002 | $ 20,002 |
| **Consideration:** | | | |
| Cash paid as deposit premium | $ 20,002 | | |
| Fair value of total consideration transferred | $ 20,002 | | |

*Explanation of fair value adjustments*

(a) Adjustment reflects the fair value adjustments of the premise and equipment as of the acquisition date.
(b) Adjustment reflects the recording of core deposit intangible on the acquired core deposit accounts.
(c) Adjustment reflects the fair value adjustments based on the Company s evaluation of the acquired deposits.
Goodwill of $11.1 million, which is the excess of the merger consideration over the fair value of net assets acquired, was recorded in the branch acquisition and is the result of expected operational synergies and other factors.

In the acquisition, the Company purchased $4.4 million of loans at fair value. Management did not identify any loans that were considered to be credit impaired and are accounted for under ASC Topic 310-30.

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*Merchants & Southern Banks of Florida, Incorporated*

On May 22, 2015, the Company completed its acquisition of all shares of the outstanding common stock of Merchants & Southern Banks of Florida, Incorporated ( Merchants ), a bank holding company headquartered in Gainesville, Florida, for a total purchase price of $50,000,000. Upon consummation of the stock purchase, Merchants was merged with and into the Company, with Ameris as the surviving entity in the merger. At that time, Merchant s wholly owned banking subsidiary, Merchants and Southern Bank, was also merged with and into the Bank. The acquisition grew the Company s existing market presence, as Merchants and Southern Bank had a total of 13 banking locations in Alachua, Marion and Clay Counties, Florida.

The acquisition of Merchants was accounted for using the purchase method of accounting in accordance with FASB ASC 805, *Business Combinations*. Assets acquired, liabilities assumed and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. Management continues to evaluate fair value adjustments related to loans, premises, deferred taxes and core deposit intangible assets acquired.

The following table presents the assets acquired and liabilities of Merchants assumed as of May 22, 2015 and their initial fair value estimates. The fair value adjustments shown in the following table continue to be evaluated by management and may be subject to further adjustment:

| (Dollars in Thousands) | As Recorded by Merchants | Fair Value Adjustments | As Recorded by Ameris |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 7,527 | $ | $ 7,527 |
| Federal funds sold and interest-bearing balances | 106,188 | | 106,188 |
| Investment securities | 164,421 | (553)(a) | 163,868 |
| Other investments | 872 | | 872 |
| Loans | 199,955 | (8,500)(b) | 191,455 |
| Less allowance for loan losses | (3,354) | 3,354(c) | |
| Loans, net | 196,601 | (5,146) | 191,455 |
| Other real estate owned | 4,082 | (1,115)(d) | 2,967 |
| Premises and equipment | 14,614 | (3,680)(e) | 10,934 |
| Intangible assets | | 4,577(f) | 4,577 |
| Other assets | 2,333 | 2,335(g) | 4,668 |
| Total assets | $ 496,638 | $ (3,582) | $ 493,056 |
| **Liabilities** | | | |
| Deposits: | | | |
| Noninterest-bearing | $ 121,708 | $ | $ 121,708 |
| Interest-bearing | 286,112 | | 286,112 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total deposits | | 407,820 | | | | 407,820 |
| Federal funds purchased and securities sold under agreements to repurchase | | 41,588 | | | | 41,588 |
| Other liabilities | | 2,151 | | 81(h) | | 2,232 |
| Subordinated deferrable interest debentures | | 6,186 | | (2,680)(i) | | 3,506 |
| Total liabilities | | 457,745 | | (2,599) | | 455,146 |
| Net identifiable assets acquired over (under) liabilities assumed | | 38,893 | | (983) | | 37,910 |
| Goodwill | | | | 12,090 | | 12,090 |
| Net assets acquired over (under) liabilities assumed | $ | 38,893 | $ | 11,107 | $ | 50,000 |
| **Consideration:** | | | | | | |
| Cash exchanged for shares | $ | 50,000 | | | | |
| Fair value of total consideration transferred | $ | 50,000 | | | | |

*Explanation of fair value adjustments*

(a) Adjustment reflects the fair value adjustments of the available for sale portfolio as of the acquisition date.
(b) Adjustment reflects the fair value adjustments based on the Company s evaluation of the acquired loan portfolio.
(c) Adjustment reflects the elimination of Merchant s allowance for loan losses.
(d) Adjustment reflects the fair value adjustment based on the Company s evaluation of the acquired OREO portfolio.
(e) Adjustment reflects the fair value adjustment based on the Company s evaluation of the acquired premises.

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(f) Adjustment reflects the recording of core deposit intangible on the acquired core deposit accounts.
(g) Adjustment reflects the deferred taxes on the difference in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for federal income tax purposes.
(h) Adjustment reflects the fair value adjustments based on the Company s evaluation of interest rate swap liabilities.
(i) Adjustment reflects the fair value adjustment to the subordinated deferrable interest debentures at the acquisition date.

Goodwill of $12.1 million, which is the excess of the merger consideration over the fair value of net assets acquired, was recorded in the Merchants acquisition and is the result of expected operational synergies and other factors. This goodwill is not expected to be deductible for tax purposes.

In the acquisition, the Company purchased $191.5 million of loans at fair value, net of $8.5 million, or 4.25%, estimated discount to the outstanding principal balance. Of the total loans acquired, management identified $17.4 million that were considered to be credit impaired and are accounted for under ASC Topic 310-30. The table below summarizes the total contractually required principal and interest cash payment, management s estimate of expected total cash payments and fair value of the loans as of acquisition date for purchased credit impaired loans. Contractually required principal and interest payment have been adjusted for estimated prepayments.

| | |
|---|---|
| Contractually required principal and interest | $ 24,446 |
| Non-accretable difference | (3,814) |
| Cash flows expected to be collected | 20,632 |
| Accretable yield | (3,254) |
| Total purchased credit-impaired loans acquired | $ 17,378 |

The following table presents the acquired loan data for the Merchants acquisition.

| | Fair Value of Acquired Loans at Acquisition Date | Gross Contractual Amounts Receivable at Acquisition Date | Best Estimate at Acquisition Date of Contractual Cash Flows Not Expected to be Collected |
|---|---|---|---|
| | (Dollars in Thousands) | | |
| Acquired receivables subject to ASC 310-30 | $ 17,378 | $ 24,446 | $ 3,814 |
| Acquired receivables not subject to ASC 310-30 | $ 174,077 | $ 178,763 | $ |

*Coastal Bankshares, Inc.*

On June 30, 2014, the Company completed its acquisition of The Coastal Bankshares, Inc. ( Coastal ), a bank holding company headquartered in Savannah, Georgia. Upon consummation of the acquisition, Coastal was merged with and into the Company, with Ameris as the surviving entity in the merger. At that time, Coastal s wholly owned banking subsidiary, The Coastal Bank ( Coastal Bank ), was also merged with and into the Bank. The acquisition grew the Company s existing market presence, as Coastal Bank had a total of six banking locations in Chatham, Liberty and Effingham Counties, Georgia. Coastal s common shareholders received 0.4671 of a share of the Company s common stock in exchange for each share of Coastal s common stock. As a result, the Company issued 1,598,998 common shares at a fair value of $34.5 million and paid $2.8 million cash in exchange for outstanding warrants.

The acquisition of Coastal was accounted for using the purchase method of accounting in accordance with FASB ASC 805, *Business Combinations*. Assets acquired, liabilities assumed and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. During the third quarter of 2014 and the second quarter of 2015, management revised its initial estimates regarding the valuation of other real estate owned. In addition, during the third and fourth quarters of 2014 and second quarter of 2015, management continued its assessment and recorded the deferred tax assets resulting from differences in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for income tax purposes. This estimate also reflects acquired net operating loss carryforwards and other acquired assets with built-in losses that are expected to be settled or otherwise recovered in future periods where the realization of such benefits would be subject to applicable limitations under Sections 382 of the Internal Revenue Code of 1986, as amended.

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The following table presents the assets acquired and liabilities of Coastal assumed as of June 30, 2014 and their fair value estimates:

| (Dollars in Thousands) | As Recorded by Coastal | Initial Fair Value Adjustments | Subsequent Fair Value Adjustments | As Recorded by Ameris |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 3,895 | $ | $ | $ 3,895 |
| Federal funds sold and interest-bearing balances | 15,923 | | | 15,923 |
| Investment securities | 67,266 | (500)(a) | | 66,766 |
| Other investments | 975 | | | 975 |
| Mortgage loans held for sale | 7,288 | | | 7,288 |
| Loans | 296,141 | (16,700)(b) | | 279,441 |
| Less allowance for loan losses | (3,218) | 3,218(c) | | |
| Loans, net | 292,923 | (13,482) | | 279,441 |
| Other real estate owned | 14,992 | (3,528)(d) | (3,407)(g) | 8,057 |
| Premises and equipment | 11,882 | | | 11,882 |
| Intangible assets | 507 | 4,266(e) | (231)(h) | 4,542 |
| Cash value of bank owned life insurance | 7,812 | | | 7,812 |
| Other assets | 14,898 | | (601)(i) | 14,297 |
| Total assets | $ 438,361 | $ (13,244) | $ (4,239) | $ 420,878 |
| **Liabilities** | | | | |
| Deposits: | | | | |
| Noninterest-bearing | $ 80,012 | $ | $ | $ 80,012 |
| Interest-bearing | 289,012 | | | 289,012 |
| Total deposits | 369,024 | | | 369,024 |
| Federal funds purchased and securities sold under agreements to repurchase | 5,428 | | | 5,428 |
| Other borrowings | 22,005 | | | 22,005 |
| Other liabilities | 6,192 | | | 6,192 |
| Subordinated deferrable interest debentures | 15,465 | (6,413)(f) | | 9,052 |
| Total liabilities | 418,114 | (6,413) | | 411,701 |
| Net identifiable assets acquired over (under) liabilities assumed | 20,247 | (6,831) | (4,239) | 9,177 |
| Goodwill | | 23,854 | 4,239 | 28,093 |

| | | | | |
|---|---|---|---|---|
| Net assets acquired over (under) liabilities assumed | $ 20,247 | $ 17,023 | $ | $ 37,270 |
| **Consideration:** | | | | |
| Ameris Bancorp common shares issued | 1,598,998 | | | |
| Purchase price per share of the Company s common stock | $ 21.56 | | | |
| Company common stock issued | 34,474 | | | |
| Cash exchanged for shares | 2,796 | | | |
| Fair value of total consideration transferred | $ 37,270 | | | |

*Explanation of fair value adjustments*

(a) Adjustment reflects the fair value adjustments of the available for sale portfolio as of the acquisition date.
(b) Adjustment reflects the fair value adjustments based on the Company s evaluation of the acquired loan portfolio.
(c) Adjustment reflects the elimination of Coastal s allowance for loan losses.
(d) Adjustment reflects the fair value adjustment based on the Company s evaluation of the acquired OREO portfolio.
(e) Adjustment reflects the recording of core deposit intangible on the acquired core deposit accounts.
(f) Adjustment reflects the fair value adjustment to the subordinated deferrable interest debentures at the acquisition date.

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(g) Adjustment reflects the additional fair value adjustment based on the Company s evaluation of the acquired OREO portfolio.
(h) Adjustment reflects final recording of core deposit intangible on the acquired core deposit accounts.
(i) Adjustment reflects the deferred taxes on the difference in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for federal income tax purposes.

Goodwill of $28.1 million, which is the excess of the merger consideration over the fair value of net assets acquired, was recorded in the Coastal acquisition and is the result of expected operational synergies and other factors. This goodwill is not expected to be deductible for tax purposes.

In the acquisition, the Company purchased $279.4 million of loans at fair value, net of $16.7 million, or 5.64%, estimated discount to the outstanding principal balance. Of the total loans acquired, management identified $29.3 million that were considered to be credit impaired and are accounted for under ASC Topic 310-30. The table below summarizes the total contractually required principal and interest cash payment, management s estimate of expected total cash payments and fair value of the loans as of acquisition date for purchased credit impaired loans. Contractually required principal and interest payment have been adjusted for estimated prepayments.

| | |
|---|---|
| Contractually required principal and interest | $ 38,194 |
| Non-accretable difference | (5,632) |
| Cash flows expected to be collected | 32,562 |
| Accretable yield | (3,282) |
| Total purchased credit-impaired loans acquired | $ 29,280 |

The results of operations of Merchants and Coastal subsequent to the respective acquisition dates are included in the Company s consolidated statements of operations. The following unaudited pro forma information reflects the Company s estimated consolidated results of operations as if the acquisitions had occurred on January 1, 2014, unadjusted for potential cost savings (in thousands).

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Net interest income and noninterest income | $ 63,259 | $ 60,212 | $ 123,308 | $ 116,454 |
| Net income (loss) | $ (128) | $ 6,963 | $ 10,739 | $ 17,163 |
| Net income (loss) available to common stockholders | $ (128) | $ 6,963 | $ 10,739 | $ 16,877 |
| Income (loss) per common share available to common stockholders basic | $ 0.00 | $ 0.26 | $ 0.34 | $ 0.63 |
| Income (loss) per common share available to common stockholders diluted | $ 0.00 | $ 0.26 | $ 0.34 | $ 0.62 |
| Average number of shares outstanding, basic | 32,184 | 26,780 | 31,318 | 26,762 |
| Average number of shares outstanding, diluted | 32,520 | 27,232 | 31,653 | 27,214 |

A rollforward of purchased non-covered loans for the six months ended June 30, 2015, the year ended December 31, 2014 and the six months ended June 30, 2014 is shown below:

| (Dollars in Thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Balance, January 1 | $ 674,239 | $ 448,753 | $ 448,753 |
| Charge-offs, net of recoveries | (470) | (84) | |
| Additions due to acquisitions | 195,818 | 279,441 | 279,441 |
| Accretion | 5,388 | 9,745 | 3,635 |
| Transfers to purchased non-covered other real estate owned | (2,039) | (4,160) | (1,425) |
| Transfer from covered loans due to loss-share expiration | 15,462 | 15,475 | |
| Payments received | (80,085) | (74,931) | (28,273) |
| Ending balance | $ 808,313 | $ 674,239 | $ 702,131 |

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The following is a summary of changes in the accretable discounts of purchased non-covered loans during the six months ended June 30, 2015, the year ended December 31, 2014 and the six months ended June 30, 2014:

| (Dollars in Thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Balance, January 1 | $ 25,716 | $ 26,189 | $ 26,189 |
| Additions due to acquisitions | 4,686 | 7,799 | 7,799 |
| Accretion | (5,388) | (9,745) | (3,635) |
| Accretable discounts removed due to charge-offs | (1,685) | | |
| Transfers between non-accretable and accretable discounts, net | (1,007) | 1,473 | 1,968 |
| Ending balance | $ 22,322 | $ 25,716 | $ 32,321 |

## NOTE 3 INVESTMENT SECURITIES

The Company s investment policy blends the Company s liquidity needs and interest rate risk management with its desire to increase income and provide funds for expected growth in loans. The investment securities portfolio consists primarily of U.S. government sponsored mortgage-backed securities and agencies, state, county and municipal securities and corporate debt securities. The Company s portfolio and investing philosophy concentrate activities in obligations where the credit risk is limited. For the small portion of the Company s portfolio found to present credit risk, the Company has reviewed the investments and financial performance of the obligors and believes the credit risk to be acceptable.

The amortized cost and estimated fair value of investment securities available for sale at June 30, 2015, December 31, 2014 and June 30, 2014 are presented below:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | | (Dollars in Thousands) | | |
| June 30, 2015: | | | | |
| U. S. government agencies | $ 14,956 | $ | $ (210) | $ 14,746 |
| State, county and municipal securities | 165,070 | 3,305 | (1,003) | 167,372 |
| Corporate debt securities | 12,710 | 184 | (58) | 12,836 |
| Mortgage-backed securities | 665,274 | 4,948 | (3,022) | 667,200 |
| Total securities | $ 858,010 | $ 8,437 | $ (4,293) | $ 862,154 |
| December 31, 2014: | | | | |
| U. S. government agencies | $ 14,953 | $ | $ (275) | $ 14,678 |
| State, county and municipal securities | 137,873 | 3,935 | (433) | 141,375 |
| Corporate debt securities | 10,812 | 228 | | 11,040 |
| Mortgage-backed securities | 369,581 | 6,534 | (1,403) | 374,712 |

| | | | | |
|---|---|---|---|---|
| Total securities | $ 533,219 | $ 10,697 | $ (2,111) | $ 541,805 |
| June 30, 2014: | | | | |
| U. S. government agencies | $ 14,950 | $ | $ (505) | $ 14,445 |
| State, county and municipal securities | 143,507 | 3,136 | (863) | 145,780 |
| Corporate debt securities | 10,805 | 284 | (131) | 10,958 |
| Mortgage-backed securities | 361,194 | 5,435 | (2,182) | 364,447 |
| Total securities | $ 530,456 | $ 8,855 | $ (3,681) | $ 535,630 |

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The amortized cost and fair value of available-for-sale securities at June 30, 2015 by contractual maturity are summarized in the table below. Expected maturities for mortgage-backed securities may differ from contractual maturities because in certain cases borrowers can prepay obligations without prepayment penalties. Therefore, these securities are not included in the following maturity summary.

| | Amortized Cost | Fair Value |
|---|---|---|
| | (Dollars in Thousands) | |
| Due in one year or less | $ 7,960 | $ 7,999 |
| Due from one year to five years | 47,037 | 48,246 |
| Due from five to ten years | 66,573 | 67,686 |
| Due after ten years | 71,166 | 71,023 |
| Mortgage-backed securities | 665,274 | 667,200 |
| | $ 858,010 | $ 862,154 |

Securities with a carrying value of approximately $323.9 million serve as collateral to secure public deposits and for other purposes required or permitted by law at June 30, 2015, compared with $286.6 million and $228.3 million at December 31, 2014 and June 30, 2014, respectively.

The following table details the gross unrealized losses and fair value of securities aggregated by category and duration of continuous unrealized loss position at June 30, 2015, December 31, 2014 and June 30, 2014.

| | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| Description of Securities | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | | | (Dollars in Thousands) | | | |
| June 30, 2015: | | | | | | |
| U. S. government agencies | $ 9,818 | $ (138) | $ 4,928 | $ (72) | $ 14,746 | $ (210) |
| State, county and municipal securities | 50,294 | (680) | 10,404 | (323) | 60,698 | (1,003) |
| Corporate debt securities | 7,149 | (58) | | | 7,149 | (58) |
| Mortgage-backed securities | 238,174 | (2,046) | 30,672 | (976) | 268,846 | (3,022) |
| Total temporarily impaired securities | $ 305,435 | $ (2,922) | $ 46,004 | $ (1,371) | $ 351,439 | $ (4,293) |
| December 31, 2014: | | | | | | |
| U. S. government agencies | $ | $ | $ 14,678 | $ (275) | $ 14,678 | $ (275) |
| State, county and municipal securities | 15,038 | (70) | 19,665 | (363) | 34,703 | (433) |
| Corporate debt securities | | | | | | |
| Mortgage-backed securities | 36,760 | (221) | 46,812 | (1,182) | 83,572 | (1,403) |
| Total temporarily impaired securities | $ 51,798 | $ (291) | $ 81,155 | $ (1,820) | $ 132,953 | $ (2,111) |

| | | | | | | |
|---|---|---|---|---|---|---|
| June 30, 2014: | | | | | | |
| U. S. government agencies | $ | $ | $ 14,445 | $ (505) | $ 14,445 | $ (505) |
| State, county and municipal securities | 4,088 | (35) | 29,203 | (828) | 33,291 | (863) |
| Corporate debt securities | | | 4,945 | (131) | 4,945 | (131) |
| Mortgage-backed securities | 25,107 | (65) | 51,039 | (2,117) | 76,146 | (2,182) |
| Total temporarily impaired securities | $ 29,195 | $ (100) | $ 99,632 | $ (3,581) | $ 128,827 | $ (3,681) |

As of June 30, 2015, the Company s security portfolio consisted of 443 securities, 163 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company s mortgage-backed and state, county and municipal securities, as discussed below.

At June 30, 2015, the Company held 114 mortgage-backed securities that were in an unrealized loss position, all of which were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2015.

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At June 30, 2015, the Company held 40 state, county and municipal securities, three U.S. government-sponsored agency security, and six corporate security that were in an unrealized loss position. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2015.

During the first six months of 2015 and 2014, the Company received timely and current interest and principal payments on all of the securities classified as corporate debt securities, except for one security that began deferring interest during the fourth quarter of 2010. The Company s investments in subordinated debt include investments in regional and super-regional banks on which the Company prepares regular analysis through review of financial information and credit ratings. Investments in preferred securities are also concentrated in the preferred obligations of regional and super-regional banks through non-pooled investment structures. The Company did not have investments in pooled trust preferred securities at June 30, 2015, December 31, 2014 or June 30, 2014.

Management and the Company s Asset and Liability Committee (the ALCO Committee ) evaluate securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. While the majority of the unrealized losses on debt securities relate to changes in interest rates, corporate debt securities have also been affected by reduced levels of liquidity and higher risk premiums. Occasionally, management engages independent third parties to evaluate the Company s position in certain corporate debt securities to aid management and the ALCO Committee in its determination regarding the status of impairment. The Company believes that each investment poses minimal credit risk and further, that the Company does not intend to sell these investment securities at an unrealized loss position at June 30, 2015, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Therefore, at June 30, 2015, these investments are not considered impaired on an other-than-temporary basis.

The following table is a summary of sales activities in the Company s investment securities available for sale for the six months ended June 30, 2015, year ended December 31, 2014 and six months ended June 30, 2014:

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| | (Dollars in Thousands) | | |
| Gross gains on sales of securities | $ 41 | $ 141 | $ 8 |
| Gross losses on sales of securities | (19) | (3) | (2) |
| Net realized gains on sales of securities available for sale | $ 22 | $ 138 | $ 6 |
| Sales proceeds | $ 30,113 | $ 94,051 | $ 69,768 |

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**NOTE 4 LOANS**

The Company engages in a full complement of lending activities, including real estate-related loans, agriculture-related loans, commercial and financial loans and consumer installment loans within select markets in Georgia, Alabama, Florida and South Carolina. Ameris concentrates the majority of its lending activities in real estate loans. While the risk of loss in the Company s portfolio is primarily tied to the credit quality of the various borrowers, risk of loss may increase due to factors beyond the Company s control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio.

Commercial, financial and agricultural loans include both secured and unsecured loans for working capital, expansion, crop production and other business purposes. Short-term working capital loans are secured by non-real estate collateral such as accounts receivable, crops, inventory and equipment. The Company evaluates the financial strength, cash flow, management, credit history of the borrower and the quality of the collateral securing the loan. The Bank often requires personal guarantees and secondary sources of repayment on commercial, financial and agricultural loans.

Real estate loans include construction and development loans, commercial and farmland loans and residential loans. Construction and development loans include loans for the development of residential neighborhoods, one-to-four family residential construction loans to builders and consumers, and commercial real estate construction loans, primarily for owner-occupied properties. The Company limits its construction lending risk through adherence to established underwriting procedures. Commercial real estate loans include loans secured by owner-occupied commercial buildings for office, storage, retail, farmland and warehouse space. They also include non-owner occupied commercial buildings such as leased retail and office space. Commercial real estate loans may be larger in size and may involve a greater degree of risk than one-to-four family residential mortgage loans. Payments on such loans are often dependent on successful operation or management of the properties. The Company s residential loans represent permanent mortgage financing and are secured by residential properties located within the Bank s market areas.

Consumer installment loans and other loans include automobile loans, boat and recreational vehicle financing, and secured and unsecured personal loans. Consumer loans carry greater risks than other loans, as the collateral can consist of rapidly depreciating assets such as automobiles and equipment that may not provide an adequate source of repayment of the loan in the case of default.

Loans are stated at unpaid balances, net of unearned income and deferred loan fees. Balances within the major loans receivable categories are presented in the following table, excluding purchased non-covered and covered loans:

| **(Dollars in Thousands)** | **June 30, 2015** | **December 31, 2014** | **June 30, 2014** |
|---|---|---|---|
| Commercial, financial and agricultural | $ 373,202 | $ 319,654 | $ 304,588 |
| Real estate construction and development | 205,019 | 161,507 | 149,346 |
| Real estate commercial and farmland | 1,010,195 | 907,524 | 850,000 |
| Real estate residential | 537,201 | 456,106 | 422,731 |
| Consumer installment | 30,080 | 30,782 | 31,902 |
| Other | 15,903 | 14,308 | 11,492 |
| | $ 2,171,600 | $ 1,889,881 | $ 1,770,059 |

Purchased non-covered loans are defined as loans that were acquired in bank acquisitions that are not covered by a loss-sharing agreement with the FDIC. Purchased non-covered loans totaling $808.3 million, $674.2 million and $702.1 million at June 30, 2015, December 31, 2014 and June 30, 2014, respectively, are not included in the above schedule.

Purchased non-covered loans are shown below according to major loan type as of the end of the periods shown:

| (Dollars in Thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 45,337 | $ 38,041 | $ 41,583 |
| Real estate construction and development | 75,302 | 58,362 | 64,084 |
| Real estate commercial and farmland | 404,588 | 306,706 | 311,748 |
| Real estate residential | 276,798 | 266,342 | 278,451 |
| Consumer installment | 6,288 | 4,788 | 6,265 |
| | $ 808,313 | $ 674,239 | $ 702,131 |

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Purchased loan pools are defined as groups of loans that were not acquired in bank acquisitions or FDIC-assisted transactions. As of June 30, 2015, purchased loan pools totaled $269.0 million and consisted of whole-loan, adjustable rate residential mortgages on properties outside the Company s markets, with principal balances totaling $263.8 million and $5.2 million of purchase premium paid at acquisition. At June 30, 2015, all loans included in the purchased loan pools were performing current loans, all risk-rated grade 20. The Company did not have any purchased loan pools at December 31, 2014 or June 30, 2014.

Covered loans are defined as loans that were acquired in FDIC-assisted transactions that are covered by a loss-sharing agreement with the FDIC. Covered loans totaling $209.6 million, $271.3 million and $331.3 million at June 30, 2015, December 31, 2014 and June 30, 2014, respectively, are not included in the above schedules.

Covered loans are shown below according to loan type as of the end of the periods shown:

| (Dollars in Thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 17,666 | $ 21,467 | $ 25,209 |
| Real estate construction and development | 15,002 | 23,447 | 31,600 |
| Real estate commercial and farmland | 111,772 | 147,627 | 188,643 |
| Real estate residential | 64,982 | 78,520 | 85,518 |
| Consumer installment | 176 | 218 | 280 |
| | $ 209,598 | $ 271,279 | $ 331,250 |

**Nonaccrual and Past Due Loans**

A loan is placed on nonaccrual status when, in management s judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged against interest income. Interest payments on nonaccrual loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Past due loans are loans whose principal or interest is past due 90 days or more. In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the original contractual terms.

The following table presents an analysis of loans accounted for on a nonaccrual basis, excluding purchased non-covered and covered loans:

| (Dollars in Thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 4,067 | $ 1,672 | $ 1,596 |
| Real estate construction and development | 1,594 | 3,774 | 3,452 |
| Real estate commercial and farmland | 8,938 | 8,141 | 8,831 |
| Real estate residential | 5,650 | 7,663 | 7,795 |
| Consumer installment | 491 | 478 | 437 |

| | | | |
|---|---|---|---|
| | $ 20,740 | $ 21,728 | $ 22,111 |

The following table presents an analysis of purchased non-covered loans accounted for on a nonaccrual basis:

| (Dollars in Thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 309 | $ 175 | $ 143 |
| Real estate construction and development | 1,483 | 1,119 | 2,273 |
| Real estate commercial and farmland | 9,634 | 10,242 | 6,647 |
| Real estate residential | 5,930 | 6,644 | 6,658 |
| Consumer installment | 88 | 69 | 49 |
| | $ 17,444 | $ 18,249 | $ 15,770 |

The following table presents an analysis of covered loans accounted for on a nonaccrual basis:

| (Dollars in Thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 7,948 | $ 8,541 | $ 12,254 |
| Real estate construction and development | 3,120 | 7,601 | 8,028 |
| Real estate commercial and farmland | 13,997 | 12,584 | 17,027 |
| Real estate residential | 3,712 | 6,595 | 8,702 |
| Consumer installment | 94 | 91 | 127 |
| | $ 28,871 | $ 35,412 | $ 46,138 |

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The following table presents an aging analysis of loans, excluding purchased non-covered and covered past due loans as of June 30, 2015, December 31, 2014 and June 30, 2014:

| | Loans 30-59 Days Past Due | Loans 60-89 Days Past Due | Loans 90 or More Days Past Due | Total Loans Past Due | Current Loans | Total Loans | Loans 90 Days or More Past Due and Still Accruing |
|---|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | | |
| **As of June 30, 2015:** | | | | | | | |
| Commercial, financial & agricultural | $ 840 | $ 888 | $ 3,891 | $ 5,619 | $ 367,583 | $ 373,202 | $ |
| Real estate construction & development | 1,201 | 374 | 1,536 | 3,111 | 201,908 | 205,019 | |
| Real estate commercial & farmland | 1,958 | 2,823 | 7,014 | 11,795 | 998,400 | 1,010,195 | |
| Real estate residential | 5,135 | 1,949 | 4,727 | 11,811 | 525,390 | 537,201 | |
| Consumer installment loans | 293 | 77 | 315 | 685 | 29,395 | 30,080 | |
| Other | | | | | 15,903 | 15,903 | |
| Total | $ 9,427 | $ 6,111 | $ 17,483 | $ 33,021 | $ 2,138,579 | $ 2,171,600 | $ |

| | Loans 30-59 Days Past Due | Loans 60-89 Days Past Due | Loans 90 or More Days Past Due | Total Loans Past Due | Current Loans | Total Loans | Loans 90 Days or More Past Due and Still Accruing |
|---|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | | |
| **As of December 31, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 900 | $ 233 | $ 1,577 | $ 2,710 | $ 316,944 | $ 319,654 | $ |
| Real estate construction & development | 1,382 | 286 | 3,367 | 5,035 | 156,472 | 161,507 | |
| Real estate commercial & farmland | 2,859 | 635 | 7,668 | 11,162 | 896,362 | 907,524 | |
| Real estate residential | 3,953 | 2,334 | 6,755 | 13,042 | 443,064 | 456,106 | |
| Consumer installment loans | 634 | 158 | 366 | 1,158 | 29,624 | 30,782 | 1 |
| Other | | | | | 14,308 | 14,308 | |
| Total | $ 9,728 | $ 3,646 | $ 19,733 | $ 33,107 | $ 1,856,774 | $ 1,889,881 | $ 1 |

| | Loans 30-59 Days Past Due | Loans 60-89 Days Past Due | Loans 90 or More Days Past Due | Total Loans Past Due | Current Loans | Total Loans | Loans 90 Days or More Past Due and Still Accruing |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of June 30, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 1,180 | $ 966 | $ 1,077 | $ 3,223 | $ 301,365 | $ 304,588 | $ |
| Real estate construction & development | 3,942 | 296 | 3,449 | 7,687 | 141,659 | 149,346 | |
| Real estate commercial & farmland | 4,622 | 1,860 | 7,404 | 13,886 | 836,114 | 850,000 | |
| Real estate residential | 5,806 | 3,829 | 7,197 | 16,832 | 405,899 | 422,731 | |
| Consumer installment loans | 345 | 176 | 310 | 831 | 31,071 | 31,902 | |
| Other | | | | | 11,492 | 11,492 | |
| Total | $ 15,895 | $ 7,127 | $ 19,437 | $ 42,459 | $ 1,727,600 | $ 1,770,059 | $ |

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The following table presents an analysis of purchased non-covered past due loans as of June 30, 2015, December 31, 2014 and June 30, 2014:

| | Loans 30-59 Days Past Due | Loans 60-89 Days Past Due | Loans 90 or More Days Past Due | Total Loans Past Due | Current Loans | Total Loans | Loans 90 Days or More Past Due and Still Accruing |
|---|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | | |
| **As of June 30, 2015:** | | | | | | | |
| Commercial, financial & agricultural | $ | $ 1,101 | $ 202 | $ 1,303 | $ 44,034 | $ 45,337 | $ |
| Real estate construction & development | 245 | | 1,026 | 1,271 | 74,031 | 75,302 | |
| Real estate commercial & farmland | 2,115 | 724 | 9,062 | 11,901 | 392,687 | 404,588 | |
| Real estate residential | 3,848 | 1,400 | 5,369 | 10,617 | 266,181 | 276,798 | |
| Consumer installment loans | 6 | | 84 | 90 | 6,198 | 6,288 | |
| Total | $ 6,214 | $ 3,225 | $ 15,743 | $ 25,182 | $ 783,131 | $ 808,313 | $ |

| | Loans 30-59 Days Past Due | Loans 60-89 Days Past Due | Loans 90 or More Days Past Due | Total Loans Past Due | Current Loans | Total Loans | Loans 90 Days or More Past Due and Still Accruing |
|---|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | | |
| **As of December 30, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 461 | $ 90 | $ 175 | $ 726 | $ 37,315 | $ 38,041 | $ |
| Real estate construction & development | 790 | 1,735 | 1,117 | 3,642 | 54,720 | 58,362 | |
| Real estate commercial & farmland | 2,107 | 1,194 | 9,529 | 12,830 | 293,876 | 306,706 | |
| Real estate residential | 6,907 | 1,401 | 6,369 | 14,677 | 251,665 | 266,342 | |
| Consumer installment loans | 82 | | 65 | 147 | 4,641 | 4,788 | |
| Total | $ 10,347 | $ 4,420 | $ 17,255 | $ 32,022 | $ 642,217 | $ 674,239 | $ |

| | Loans 30-59 Days Past | Loans 60-89 Days | Loans 90 or More | Total Loans Past | Current Loans | Total Loans | Loans 90 Days or More |
|---|---|---|---|---|---|---|---|

| | Due | Past Due | Days Past Due | Due | | | Past Due and Still Accruing |
|---|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | | |
| **As of June 30, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 137 | $ 26 | $ 143 | $ 306 | $ 41,277 | $ 41,583 | $ |
| Real estate construction & development | 712 | 168 | 2,165 | 3,045 | 61,039 | 64,084 | |
| Real estate commercial & farmland | 1,263 | 1,605 | 6,647 | 9,515 | 302,233 | 311,748 | |
| Real estate residential | 6,952 | 983 | 6,144 | 14,079 | 264,372 | 278,451 | |
| Consumer installment loans | 23 | 29 | 47 | 99 | 6,166 | 6,265 | |
| Total | $ 9,087 | $ 2,811 | $ 15,146 | $ 27,044 | $ 675,087 | $ 702,131 | $ |

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The following table presents an aging analysis of covered loans as of June 30, 2015, December 31, 2014 and June 30, 2014:

| | Loans 30-59 Days Past Due | Loans 60-89 Days Past Due | Loans 90 or More Days Past Due | Total Loans Past Due | Current Loans | Total Loans | Loans 90 Days or More Past Due and Still Accruing |
|---|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | | |
| **As of June 30, 2015:** | | | | | | | |
| Commercial, financial & agricultural | $ 237 | $ 240 | $ 1,670 | $ 2,147 | $ 15,519 | $ 17,666 | $ |
| Real estate construction & development | 292 | 31 | 3,045 | 3,368 | 11,634 | 15,002 | 143 |
| Real estate commercial & farmland | 699 | 81 | 9,396 | 10,176 | 101,596 | 111,772 | |
| Real estate residential | 2,690 | 927 | 2,122 | 5,739 | 59,243 | 64,982 | |
| Consumer installment loans | | | 50 | 50 | 126 | 176 | |
| Total | $ 3,918 | $ 1,279 | $ 16,283 | $ 21,480 | $ 188,118 | $ 209,598 | $ 143 |

| | Loans 30-59 Days Past Due | Loans 60-89 Days Past Due | Loans 90 or More Days Past Due | Total Loans Past Due | Current Loans | Total Loans | Loans 90 Days or More Past Due and Still Accruing |
|---|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | | |
| **As of December 31, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 451 | $ 136 | $ 1,878 | $ 2,465 | $ 19,002 | $ 21,467 | $ |
| Real estate construction & development | 238 | 226 | 6,703 | 7,167 | 16,280 | 23,447 | |
| Real estate commercial & farmland | 4,371 | 1,486 | 7,711 | 13,568 | 134,059 | 147,627 | 714 |
| Real estate residential | 3,464 | 962 | 5,656 | 10,082 | 68,438 | 78,520 | |
| Consumer installment loans | 10 | | 91 | 101 | 117 | 218 | |
| Total | $ 8,534 | $ 2,810 | $ 22,039 | $ 33,383 | $ 237,896 | $ 271,279 | $ 714 |

| | Loans 30-59 Days Past | Loans 60-89 Days | Loans 90 or More | Total Loans Past | Current Loans | Total Loans | Loans 90 Days or More |
|---|---|---|---|---|---|---|---|

| | Due | Past Due | Days Past Due | Due | | | Past Due and Still Accruing |
|---|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | | |
| **As of June 30, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 16 | $ 467 | $ 6,909 | $ 7,392 | $ 17,817 | $ 25,209 | $ |
| Real estate construction & development | 551 | 459 | 7,708 | 8,718 | 22,882 | 31,600 | |
| Real estate commercial & farmland | 6,399 | 139 | 10,443 | 16,981 | 171,662 | 188,643 | |
| Real estate residential | 2,490 | 690 | 5,939 | 9,119 | 76,399 | 85,518 | |
| Consumer installment loans | | 49 | 56 | 105 | 175 | 280 | |
| Total | $ 9,456 | $ 1,804 | $ 31,055 | $ 42,315 | $ 288,935 | $ 331,250 | $ |

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**Impaired Loans**

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. When determining if the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Company considers the borrower s capacity to pay, which includes such factors as the borrower s current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. Impaired loans include loans on nonaccrual status and troubled debt restructurings. The Company individually assesses for impairment all nonaccrual loans greater than $200,000 and rated substandard or worse and all troubled debt restructurings greater than $100,000. If a loan is deemed impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan s existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis.

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The following is a summary of information pertaining to impaired loans, excluding purchased non-covered and covered loans:

| | As of and For the Period Ended | | |
|---|---|---|---|
| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
| | (Dollars in Thousands) | | |
| Nonaccrual loans | $ 20,740 | $ 21,728 | $ 22,111 |
| Troubled debt restructurings not included above | 12,467 | 12,759 | 17,337 |
| Total impaired loans | $ 33,207 | $ 34,487 | $ 39,448 |
| Quarter-to-date interest income recognized on impaired loans | $ 192 | $ 237 | $ 1,133 |
| Year-to-date interest income recognized on impaired loans | $ 344 | $ 1,991 | $ 1,423 |
| Quarter-to-date foregone interest income on impaired loans | $ 311 | $ 323 | $ 375 |
| Year-to-date foregone interest income on impaired loans | $ 629 | $ 1,491 | $ 815 |

The following table presents an analysis of information pertaining to impaired loans, excluding purchased non-covered and covered loans as of June 30, 2015, December 31, 2014 and June 30, 2014:

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Three Month Average Recorded Investment | Six Month Average Recorded Investment |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of June 30, 2015:** | | | | | | | |
| Commercial, financial & agricultural | $ 6,004 | $ 442 | $ 3,903 | $ 4,345 | $ 458 | $ 2,819 | $ 2,533 |
| Real estate construction & development | 3,765 | | 2,416 | 2,416 | 445 | 3,245 | 3,648 |
| Real estate commercial & farmland | 18,117 | 5,960 | 9,595 | 15,555 | 1,243 | 15,378 | 15,125 |
| Real estate residential | 11,743 | 1,153 | 9,199 | 10,352 | 1,825 | 11,555 | 12,006 |
| Consumer installment loans | 633 | | 539 | 539 | 8 | 494 | 507 |
| Total | $ 40,262 | $ 7,555 | $ 25,652 | $ 33,207 | $ 3,979 | $ 33,491 | $ 33,819 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Three Month Average Recorded Investment | Twelve Month Average Recorded Investment |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of December 31, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 3,387 | $ 6 | $ 1,956 | $ 1,962 | $ 395 | $ 2,457 | $ 3,021 |
| Real estate construction & development | 8,325 | 448 | 4,005 | 4,453 | 771 | 4,703 | 5,368 |
| Real estate commercial & farmland | 17,514 | 4,967 | 9,651 | 14,618 | 1,859 | 15,341 | 15,972 |
| Real estate residential | 15,571 | 3,514 | 9,407 | 12,921 | 974 | 14,244 | 16,317 |
| Consumer installment loans | 618 | | 533 | 533 | 9 | 527 | 519 |
| Total | $ 45,415 | $ 8,935 | $ 25,552 | $ 34,487 | $ 4,008 | $ 37,272 | $ 41,197 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Three Month Average Recorded Investment | Six Month Average Recorded Investment |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of June 30, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 3,398 | $ | $ 1,852 | $ 1,852 | $ 298 | $ 2,786 | $ 3,397 |
| Real estate construction & development | 9,336 | | 5,532 | 5,532 | 798 | 5,783 | 5,811 |
| Real estate commercial & farmland | 19,215 | | 16,421 | 16,421 | 1,629 | 16,851 | 16,394 |
| Real estate residential | 18,313 | | 15,131 | 15,131 | 884 | 16,563 | 17,698 |
| Consumer installment loans | 638 | | 512 | 512 | 10 | 530 | 514 |
| Total | $ 50,900 | $ | $ 39,448 | $ 39,448 | $ 3,619 | $ 42,513 | $ 43,814 |

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The following is a summary of information pertaining to purchased non-covered impaired loans:

| | As of and For the Period Ended | | |
|---|---|---|---|
| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
| | (Dollars in Thousands) | | |
| Nonaccrual loans | $ 17,444 | $ 18,249 | $ 15,770 |
| Troubled debt restructurings not included above | 6,792 | 1,212 | |
| Total impaired loans | $ 24,236 | $ 19,461 | $ 15,770 |
| Quarter-to-date interest income recognized on impaired loans | $ 143 | $ 64 | $ 41 |
| Year-to-date interest income recognized on impaired loans | $ 161 | $ 132 | $ 41 |
| Quarter-to-date foregone interest income on impaired loans | $ 451 | $ 521 | $ 426 |
| Year-to-date foregone interest income on impaired loans | $ 923 | $ 1,759 | $ 652 |

The following table presents an analysis of information pertaining to purchased non-covered impaired loans as of June 30, 2015, December 31, 2014 and June 30, 2014:

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Three Month Average Recorded Investment | Six Month Average Recorded Investment |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of June 30, 2015:** | | | | | | | |
| Commercial, financial & agricultural | $ 1,476 | $ 309 | $ | $ 309 | $ | $ 254 | $ 227 |
| Real estate construction & development | 9,656 | 1,857 | | 1,857 | | 1,485 | 1,469 |
| Real estate commercial & farmland | 17,043 | 13,691 | | 13,691 | | 11,753 | 11,366 |
| Real estate residential | 12,992 | 8,285 | | 8,285 | | 7,982 | 7,718 |
| Consumer installment loans | 111 | 94 | | 94 | | 61 | 64 |
| Total | $ 41,278 | $ 24,236 | $ | $ 24,236 | $ | $ 21,535 | $ 20,844 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Three Month Average Recorded Investment | Twelve Month Average Recorded Investment |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of December 31, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 1,366 | $ 175 | $ | $ 175 | $ | $ 277 | $ 165 |
| Real estate construction & development | 5,161 | 1,436 | | 1,436 | | 2,242 | 1,643 |
| Real estate commercial & farmland | 15,007 | 10,588 | | 10,588 | | 11,148 | 7,484 |
| Real estate residential | 12,283 | 7,191 | | 7,191 | | 8,447 | 7,084 |
| Consumer installment loans | 172 | 71 | | 71 | | 124 | 68 |
| Total | $ 33,989 | $ 19,461 | $ | $ 19,461 | $ | $ 22,238 | $ 16,444 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Three Month Average Recorded Investment | Six Month Average Recorded Investment |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of June 30, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 550 | $ 143 | $ | $ 143 | $ | $ 130 | $ 90 |
| Real estate construction & development | 4,649 | 2,273 | | 2,273 | | 1,702 | 1,243 |
| Real estate commercial & farmland | 9,848 | 6,647 | | 6,647 | | 6,738 | 5,043 |
| Real estate residential | 10,598 | 6,658 | | 6,658 | | 6,933 | 6,175 |
| Consumer installment loans | 65 | 49 | | 49 | | 41 | 31 |
| Total | $ 25,710 | $ 15,770 | $ | $ 15,770 | $ | $ 15,544 | $ 12,582 |

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The following is a summary of information pertaining to covered impaired loans:

| | As of and For the Period Ended | | |
|---|---|---|---|
| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
| | (Dollars in Thousands) | | |
| Nonaccrual loans | $ 28,871 | $ 35,412 | $ 46,138 |
| Troubled debt restructurings not included above | 17,500 | 22,619 | 9,221 |
| Total impaired loans | $ 46,371 | $ 58,031 | $ 55,359 |
| Quarter-to-date interest income recognized on impaired loans | $ 219 | $ 443 | $ 796 |
| Year-to-date interest income recognized on impaired loans | $ 431 | $ 2,057 | $ 1,193 |
| Quarter-to-date foregone interest income on impaired loans | $ 409 | $ 571 | $ 843 |
| Year-to-date foregone interest income on impaired loans | $ 947 | $ 3,123 | $ 1,892 |

The following table presents an analysis of information pertaining to covered impaired loans as of June 30, 2015, December 31, 2014 and June 30, 2014:

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Three Month Average Recorded Investment | Six Month Average Recorded Investment |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of June 30, 2015:** | | | | | | | |
| Commercial, financial & agricultural | $ 14,260 | $ 7,951 | $ | $ 7,951 | $ | $ 8,869 | $ 8,773 |
| Real estate construction & development | 29,895 | 5,953 | | 5,953 | | 7,819 | 8,757 |
| Real estate commercial & farmland | 37,426 | 17,970 | | 17,970 | | 21,795 | 21,418 |
| Real estate residential | 18,226 | 14,402 | | 14,402 | | 16,600 | 17,084 |
| Consumer installment loans | 125 | 95 | | 95 | | 99 | 97 |
| Total | $ 99,932 | $ 46,371 | $ | $ 46,371 | $ | $ 55,179 | $ 56,129 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Three Month Average Recorded Investment | Twelve Month Average Recorded Investment |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of December 31, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 14,385 | $ 8,582 | $ | $ 8,582 | $ | $ 8,525 | $ 9,325 |
| Real estate construction & development | 27,289 | 10,638 | | 10,638 | | 11,279 | 13,935 |
| Real estate commercial & farmland | 31,309 | 20,663 | | 20,663 | | 21,890 | 28,057 |
| Real estate residential | 22,860 | 18,054 | | 18,054 | | 18,242 | 20,776 |
| Consumer installment loans | 124 | 94 | | 94 | | 100 | 160 |
| Total | $ 95,967 | $ 58,031 | $ | $ 58,031 | $ | $ 60,036 | $ 72,253 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Three Month Average Recorded Investment | Six Month Average Recorded Investment |
|---|---|---|---|---|---|---|---|
| | (Dollars in Thousands) | | | | | | |
| **As of June 30, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 14,694 | $ 12,266 | $ | $ 12,266 | $ | $ 11,153 | $ 9,858 |
| Real estate construction & development | 12,921 | 11,048 | | 11,048 | | 14,541 | 15,706 |
| Real estate commercial & farmland | 27,742 | 24,007 | | 24,007 | | 27,877 | 32,167 |
| Real estate residential | 21,874 | 19,793 | | 19,793 | | 21,199 | 22,465 |
| Consumer installment loans | 161 | 127 | | 127 | | 130 | 200 |
| Total | $ 77,392 | $ 67,241 | $ | $ 67,241 | $ | $ 74,899 | $ 80,397 |

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**Credit Quality Indicators**

The Company uses a nine category risk grading system to assign a risk grade to each loan in the portfolio. Every loan is assigned a risk rating, with the exception of credit card receivables and overdraft protection loans, which are treated as pools for risk-rating purposes. Relationships greater than $1.0 million and a sample of relationships greater than $250,000 are reviewed annually by the Bank s independent internal loan review department or an independent third party loan review firm. The following is a description of the general characteristics of the grades:

*Grade 10 Prime Credit* This grade represents loans to the Company s most creditworthy borrowers or loans that are secured by cash or cash equivalents.

*Grade 15 Good Credit* This grade includes loans that exhibit one or more characteristics better than that of a *Satisfactory Credit*. Generally, the debt service coverage and borrower s liquidity is materially better than required by the Company s loan policy.

*Grade 20 Satisfactory Credit* This grade is assigned to loans to borrowers who exhibit satisfactory credit histories, contain acceptable loan structures and demonstrate ability to repay.

*Grade 23 Performing, Under-Collateralized Credit* This grade is assigned to loans that are currently performing and supported by adequate financial information that reflects repayment capacity but exhibit a loan-to-value ratio greater than 110%, based on a documented collateral valuation.

*Grade 25 Minimum Acceptable Credit* This grade includes loans which exhibit all the characteristics of a *Satisfactory Credit*, but warrant more than normal level of banker supervision due to (i) circumstances which elevate the risks of performance (such as start-up operations, untested management, heavy leverage and interim losses); (ii) adverse, extraordinary events that have affected, or could affect, the borrower s cash flow, financial condition, ability to continue operating profitability or refinancing (such as death of principal, fire and divorce); (iii) loans that require more than the normal servicing requirements (such as any type of construction financing, acquisition and development loans, accounts rec