

Ameris Bancorp
Form 10-Q
May 10, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

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)

Edgar Filing: Ameris Bancorp - Form 10-Q

GEORGIA
(State of incorporation)

58-1456434
(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 No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Non-accelerated filer (Do not check if 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

There were 23,876,680 shares of Common Stock outstanding as of April 30, 2013.

Item 1. Financial Statements

AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)	March 31, 2012 (Unaudited)
Assets			
Cash and due from banks	\$ 50,487	\$ 80,256	\$ 64,963
Federal funds sold and interest bearing accounts	81,205	193,677	194,172
Investment securities available for sale, at fair value	324,029	346,909	371,791
Other investments	5,528	6,832	10,967
Mortgage loans held for sale	42,332	48,786	14,863
Loans	1,492,753	1,450,635	1,323,844
Covered loans	460,724	507,712	653,377
Less: allowance for loan losses	23,382	23,593	28,689
Loans, net	1,930,095	1,934,754	1,948,532
Other real estate owned	40,434	39,850	40,035
Covered other real estate owned	77,915	88,273	85,803
Total other real estate owned	118,349	128,123	125,838
Premises and equipment, net	72,340	75,983	72,755
FDIC loss-share receivable	160,979	159,724	220,016
Intangible assets	2,676	3,040	4,179
Goodwill	956	956	956
Cash value of bank owned life insurance	45,832	15,603	
Other assets	26,843	24,409	14,202
Total assets	\$ 2,861,651	\$ 3,019,052	\$ 3,043,234
Liabilities and Stockholders Equity			
Liabilities			
Deposits:			
Noninterest-bearing	\$ 490,961	\$ 510,751	\$ 444,707
Interest-bearing	1,999,012	2,113,912	2,220,653
Total deposits	2,489,973	2,624,663	2,665,360
Securities sold under agreements to repurchase	22,919	50,120	28,790
Other borrowings			3,810
Other liabilities	22,768	22,983	5,308
Subordinated deferrable interest debentures	42,269	42,269	42,269
Total liabilities	2,577,929	2,740,035	2,745,537
Commitments and contingencies			
Stockholders Equity			
	27,753	27,662	50,884

Edgar Filing: Ameris Bancorp - Form 10-Q

Preferred stock, stated value \$1,000; 5,000,000 shares authorized; 28,000, 28,000 and 52,000 shares issued and outstanding

Common stock, par value \$1; 30,000,000 shares authorized; 25,238,635, 25,154,818 and 25,150,318 shares issued	25,239	25,155	25,150
Capital surplus	165,078	164,949	166,579
Retained earnings	70,554	65,710	59,402
Accumulated other comprehensive income	6,274	6,607	6,513
Treasury stock, at cost, 1,362,955, 1,355,050 and 1,336,174 shares	(11,176)	(11,066)	(10,831)
 Total stockholders' equity	 283,722	 279,017	 297,697
 Total liabilities and stockholders' equity	 \$ 2,861,651	 \$ 3,019,052	 \$ 3,043,234

See notes to unaudited consolidated financial statements

AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Interest income		
Interest and fees on loans	\$ 28,716	\$ 29,482
Interest on taxable securities	1,697	2,309
Interest on nontaxable securities	375	365
Interest on deposits in other banks	85	120
Interest on federal funds sold		6
Total interest income	30,873	32,282
Interest expense		
Interest on deposits	2,226	4,084
Interest on other borrowings	309	471
Total interest expense	2,535	4,555
Net interest income	28,338	27,727
Provision for loan losses	2,923	12,882
Net interest income after provision for loan losses	25,415	14,845
Noninterest income		
Service charges on deposit accounts	4,837	4,386
Mortgage origination fees	4,464	1,475
Other service charges, commissions and fees	329	391
Gain on acquisition		20,037
Gain on sale of securities	172	
Other	1,558	975
Total noninterest income	11,360	27,264
Noninterest expense		
Salaries and employee benefits	13,806	11,446
Occupancy and equipment expense	2,931	3,335
Advertising and marketing expense	255	349
Amortization of intangible assets	364	220
Data processing and communications costs	2,570	1,925
Other operating expenses	8,958	16,971
Total noninterest expense	28,884	34,246
Income before income tax expense	7,891	7,863
Applicable income tax expense	2,606	2,498

Edgar Filing: Ameris Bancorp - Form 10-Q

Net income	\$ 5,285	\$ 5,365
Preferred stock dividends	441	815
Net income available to common stockholders	\$ 4,844	\$ 4,550
Other comprehensive loss		
Unrealized holding loss arising during period on investment securities available for sale, net of tax	(429)	(689)
Reclassification adjustment for gains included in net income, net of tax	(112)	
Unrealized gain (loss) on cash flow hedges arising during period , net of tax	209	(94)
Other comprehensive loss	\$ (332)	\$ (783)
Comprehensive income	\$ 4,512	\$ 3,767
Basic and Diluted earnings per share	\$ 0.20	\$ 0.19
Weighted average common shares outstanding		
Basic	23,868	23,762
Diluted	24,246	23,916
See notes to unaudited consolidated financial statements		

AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
	Shares	Amount	Shares	Amount
PREFERRED STOCK				
Balance at beginning of period	28,000	\$ 27,662	52,000	\$ 50,727
Accretion of fair value of warrant		91		157
Balance at end of period	28,000	\$ 27,753	52,000	\$ 50,884
COMMON STOCK				
Balance at beginning of period	25,154,818	\$ 25,155	25,087,468	\$ 25,087
Issuance of restricted shares	81,400	81	62,450	62
Proceeds from exercise of stock options	2,417	3	400	1
Balance at end of period	25,238,635	\$ 25,239	25,150,318	\$ 25,150
CAPITAL SURPLUS				
Balance at beginning of period		\$ 164,949		\$ 166,639
Stock-based compensation		197		
Proceeds from exercise of stock options		13		2
Issuance of restricted shares		(81)		(62)
Balance at end of period		\$ 165,078		\$ 166,579
RETAINED EARNINGS				
Balance at beginning of period		\$ 65,710		\$ 54,852
Net income		5,284		5,365
Dividends on preferred shares		(349)		(657)
Accretion of fair value warrant		(91)		(158)
Balance at end of period		\$ 70,554		\$ 59,402
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized gains on securities and derivatives:				
Balance at beginning of period		\$ 6,607		\$ 7,296
Other comprehensive income during the period		(333)		(783)
Balance at end of period		\$ 6,274		\$ 6,513
TREASURY STOCK				
Balance at beginning of period		\$ 11,066		\$ 10,831
Purchase of treasury shares		110		
Balance at end of period		\$ 11,176		\$ 10,831
TOTAL STOCKHOLDERS EQUITY		\$ 283,722		\$ 297,697

See notes to unaudited consolidated financial statements.

AMERIS BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 5,285	\$ 5,365
Adjustments reconciling net income to net cash provided by operating activities:		
Depreciation	1,246	1,143
Stock based compensation expense	197	
Net (gains) losses on sale or disposal of premises and equipment	6	(4)
Net gains on securities available for sale	(172)	
Gain on acquisition		(20,037)
Net losses or write-downs on sale of other real estate owned	3,047	7,252
Provision for loan losses	2,923	12,882
Amortization of intangible assets	364	220
Net change in mortgage loans held for sale	6,454	(3,300)
Other prepaids, deferrals and accruals, net	11,571	4,201
Net cash provided by operating activities	30,921	7,722
Cash flows from investing activities, net of effects of business combinations:		
Net decrease (increase) in federal funds sold and interest bearing deposits	112,472	34,870
Proceeds from maturities of securities available for sale	20,746	21,912
Purchase of securities available for sale	(25,328)	(15,637)
Purchase of bank owned life insurance	(28,674)	
Decrease in restricted equity securities, net	1,304	
Proceeds from sales of securities available for sale	26,802	760
Net change in loans	(13,805)	17,496
Proceeds from sales of other real estate owned	10,140	16,296
Proceeds from sales of premises and equipment	713	305
(Increase) decrease in FDIC indemnification asset	(1,255)	75,032
Net cash proceeds received from FDIC-assisted acquisitions		65,050
Purchases of premises and equipment	(1,470)	(1,075)
Net cash provided by investing activities	101,645	215,009
Cash flows from financing activities, net of effects of business combinations:		
Net (decrease) increase in deposits	(134,690)	(187,242)
Net decrease in securities sold under agreements to repurchase	(27,201)	(8,875)
Repayment of other borrowings		(26,524)
Dividends paid - preferred stock	(350)	(657)
Purchase of treasury shares	(110)	
Proceeds from exercise of stock options	16	2
Net cash used in financing activities	(162,335)	(223,296)
Net decrease in cash and due from banks	(29,769)	(565)
Cash and due from banks at beginning of period	80,256	65,528

Edgar Filing: Ameris Bancorp - Form 10-Q

Cash and due from banks at end of period	\$ 50,487	\$ 64,963
---	-----------	-----------

SUPPLEMENTAL DISCLOSURES OF NON-CASH INFORMATION

Cash paid during the period for:

Interest	\$ 2,805	\$ 5,098
Income taxes	\$ 780	\$
Loans transferred to other real estate owned	\$ 15,541	\$ 14,291

See notes to unaudited consolidated financial statements

AMERIS BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2013

(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 March 31, 2013 the Bank operated 57 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. Ameris Board of Directors and senior managers establish corporate policy, strategy and administrative policies. Within Ameris 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 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 March 31, 2013 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, 2012.

Newly Adopted Accounting Pronouncements

ASU 2013-02 - *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02). ASU 2013-02 requires an entity to provide information about the amounts reclassified from accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under United States generally accepted accounting principles to be reclassified to net income in its entirety in the same reporting period. For all other amounts, an entity is required to cross-reference to other disclosures that provide additional details about these amounts. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. It did not have a material effect on the Company's results of operations, financial position or disclosures.

ASU 2012-06 - *Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution* (ASU 2012-06). When an entity recognizes an indemnification asset and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs as a result of a change in the cash flows expected to be collected on the indemnified asset, ASU 2012-06 requires the entity to recognize the change in the measurement of the indemnification asset on the same basis as the indemnified assets. Any amortization of changes in value of the indemnification asset should be limited to the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets. ASU 2012-06 is effective for fiscal years beginning on or after December 15, 2012, and early adoption is permitted. It is to be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from a government-assisted acquisition of a financial institution. ASU 2012-06 did not have a material effect on the Company's results of operations, financial position or disclosures.

ASU 2011-04 - *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 generally represents clarifications of Topic 820, but also includes some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. ASU 2011-04 results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 was to be applied prospectively and is effective during interim and annual periods beginning after December 15, 2011 for public companies. It did not have a material impact on the Company's results of operations, financial position or disclosures.

ASU 2011-05 - *Amendments to Topic 220, Comprehensive Income* (ASU 2011-05). ASU 2011-05 grants an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU 2011-05 does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. For public entities, ASU 2011-05 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, and was to be adopted retrospectively. It did not have a material impact on the Company's results of operations, financial position or disclosures.

ASU 2011-08 - *Intangibles - Goodwill and Other (Topic 350) Testing Goodwill for Impairment* (ASU 2011-08). ASU 2011-08 grants an entity the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. This conclusion can be used as a basis for determining whether it is necessary to perform the two-step goodwill impairment test required in Topic 350. ASU 2011-08 was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. It did not have a material impact on the Company's results of operations, financial position or disclosures.

Fair Value of Financial Instruments

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair value is based on discounted cash flows or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The accounting standard for disclosures about the fair value of financial instruments excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The fair value hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments and other accounts recorded based on their fair value:

Cash, Due From Banks, Interest-Bearing Deposits in Banks and Federal Funds Sold: The carrying amount of cash, due from banks and interest-bearing deposits in banks and federal funds sold approximates fair value.

Investment Securities Available for Sale: The fair value of securities available for sale is determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and municipal bonds. The Level 2 fair value pricing is provided by an independent third-party and is based upon similar securities in an active market. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain residual municipal securities and other less liquid securities.

Other Investments: Federal Home Loan Bank (FHLB) stock is included in other investment securities at its original cost basis, as cost approximates fair value and there is no ready market for such investments.

Mortgage Loans Held-for-Sale: The fair value of mortgage loans held for sale is determined on outstanding commitments from third party investors in the secondary markets and are classified within Level 2 of the valuation hierarchy.

Loans: The carrying amount of variable-rate loans that reprice frequently and have no significant change in credit risk approximates fair value. The fair value of fixed-rate loans is estimated based on discounted contractual cash flows, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. The fair value of impaired loans is estimated based on discounted contractual cash flows or underlying collateral values, where applicable. A loan is determined to be impaired if the Company believes it is probable that all principal and interest amounts due according to the terms of the note will not be collected as scheduled. The fair value of impaired loans is determined in accordance with ASC 310-10, *Accounting by Creditors for Impairment of a Loan*, and generally results in a specific reserve established through a charge to the provision for loan losses. Losses on impaired loans are charged to the allowance when management believes the uncollectability of a loan is confirmed. Management has determined that the majority of impaired loans are Level 3 assets due to the extensive use of market appraisals. To the extent that market appraisals or other methods do not produce reliable determinations of fair value, these assets are deemed to be Level 3.

Other Real Estate Owned: The fair value of other real estate owned (OREO) is determined using certified appraisals that value the property at its highest and best uses by applying traditional valuation methods common to the industry. The Company does not hold any OREO for profit purposes and all other real estate is actively marketed for sale. In most cases, management has determined that additional write-downs are required beyond what is calculable from the appraisal to carry the property at levels that would attract buyers. Because this additional write-down is not based on observable inputs, management has determined that other real estate owned should be classified as Level 3.

Covered Assets: Covered assets include loans and other real estate owned on which the majority of losses would be covered by loss-sharing agreements with the Federal Deposit Insurance Corporation (the FDIC). Management initially valued these assets at fair value using mostly unobservable inputs and, as such, has classified these assets as Level 3.

Intangible Assets and Goodwill: Intangible assets consist of core deposit premiums acquired in connection with business combinations and are based on the established value of acquired customer deposits. The core deposit premium is initially recognized based on a valuation performed as of the consummation date and is amortized over an estimated useful life of three to ten years. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill and other intangible assets deemed to have an indefinite useful life are not amortized but instead are subject to an annual review for impairment.

FDIC Loss-Share Receivable: Because the FDIC will reimburse the Company for certain acquired loans should the Company experience a loss, an indemnification asset is recorded at fair value at the acquisition date. The indemnification asset is recognized at the same time as the indemnified loans, and measured on the same basis, subject to collectability or contractual limitations. The shared-loss agreements on the acquisition date reflect the reimbursements expected to be received from the FDIC, using an appropriate discount rate, which reflects counterparty credit risk and other uncertainties. The shared-loss agreements continue to be measured on the same basis as the related indemnified loans, and the loss-share receivable is impacted by changes in estimated cash flows associated with these loans.

Deposits: The carrying amount of demand deposits, savings deposits and variable-rate certificates of deposit approximates fair value. The fair value of fixed-rate certificates of deposit is estimated based on discounted contractual cash flows using interest rates currently offered for certificates with similar maturities.

Securities Sold under Agreements to Repurchase and Other Borrowings: The carrying amount of variable rate borrowings and securities sold under repurchase agreements approximates fair value. The fair value of fixed rate other borrowings is estimated based on discounted contractual cash flows using the current incremental borrowing rates for similar type borrowing arrangements.

Subordinated Deferrable Interest Debentures: The carrying amount of the Company's variable rate trust preferred securities approximates fair value.

Off-Balance-Sheet Instruments: Because commitments to extend credit and standby letters of credit are typically made using variable rates and have short maturities, the carrying value and fair value are immaterial for disclosure.

Derivatives: The Company has entered into derivative financial instruments to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair value of the derivatives are determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates (forward curves derived from observable market interest rate curves).

Edgar Filing: Ameris Bancorp - Form 10-Q

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting any applicable credit enhancements such as collateral postings, thresholds, mutual puts and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivative fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself or the counterparty. However, as of December 31, 2012 and 2011, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuation in its entirety is classified in Level 2 of the fair value hierarchy.

The carrying amount and estimated fair value of the Company's financial instruments, not shown elsewhere in these financial statements, were as follows:

	Carrying Amount	Fair Value Measurements at March 31, 2013 Using:			
		Level 1	Level 2	Level 3	Total
(Dollars in Thousands)					
Financial assets:					
Loans, net	\$ 1,930,095	\$	\$ 1,458,604	\$ 501,874	\$ 1,960,478
Financial liabilities:					
Deposits	2,489,973		2,491,282		2,491,282

	Carrying Amount	Fair Value Measurements at December 31, 2012 Using:			
		Level 1	Level 2	Level 3	Total
(Dollars in Thousands)					
Financial assets:					
Loans, net	\$ 1,934,754	\$	\$ 1,406,366	\$ 560,226	\$ 1,966,592
Financial liabilities:					
Deposits	2,624,663		2,624,883		2,624,883

	Carrying Amount	Fair Value Measurements at March 31, 2012 Using:			
		Level 1	Level 2	Level 3	Total
(Dollars in Thousands)					
Financial assets:					
Loans, net	\$ 1,948,532	\$	\$ 1,258,402	\$ 722,983	\$ 1,981,385
Financial liabilities:					
Deposits	2,665,360		2,667,731		2,667,731
Other borrowings	3,810		3,854		3,854

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents the fair value measurements of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of March 31, 2013, December 31, 2012 and March 31, 2012 (dollars in thousands):

Fair Value Measurements on a Recurring Basis As of March 31, 2013				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	\$ 5,015	\$	\$ 5,015	\$
State, county and municipal securities	115,532		115,532	
Corporate debt securities	10,297		8,297	2,000
Mortgage-backed securities	193,185	4,054	189,131	
Mortgage loans held for sale	42,332		42,332	
Total recurring assets at fair value	\$ 366,361	\$ 4,054	\$ 360,307	\$ 2,000
Derivative financial instruments	\$ 2,553	\$	\$ 2,553	\$
Total recurring liabilities at fair value	\$ 2,553	\$	\$ 2,553	\$

Fair Value Measurements on a Recurring Basis As of December 31, 2012				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	\$ 6,870	\$	\$ 6,870	\$
State, county and municipal securities	114,390	4,854	109,536	
Corporate debt securities	10,328		8,328	2,000
Mortgage-backed securities	215,321	23,893	191,428	
Mortgage loans held for sale	48,786		48,786	
Total recurring assets at fair value	\$ 395,695	\$ 28,747	\$ 364,948	\$ 2,000
Derivative financial instruments	\$ 2,978	\$	\$ 2,978	\$
Total recurring liabilities at fair value	\$ 2,978	\$	\$ 2,978	\$

**Fair Value Measurements on a Recurring Basis
As of March 31, 2012**

Fair Value

Edgar Filing: Ameris Bancorp - Form 10-Q

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	\$ 28,848	\$	\$ 28,848	\$
State, county and municipal securities	81,997		81,997	
Corporate debt securities	11,385		9,385	2,000
Mortgage-backed securities	249,561	2,292	247,269	
Total recurring assets at fair value	\$ 371,791	\$ 2,292	\$ 367,499	\$ 2,000
Derivative financial instruments	\$ 2,089	\$	\$ 2,089	\$
Total recurring liabilities at fair value	\$ 2,089	\$	\$ 2,089	\$

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table is a presentation of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy as of March 31, 2013, December 31, 2012 and March 31, 2012 (dollars in thousands):

Fair Value Measurements on a Nonrecurring Basis				
As of March 31, 2013				
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 carried at fair value	\$ 51,150	\$	\$	\$ 51,150
Other real estate owned	40,434			40,434
Covered loans	460,724			460,724
Covered other real estate owned	77,915			77,915
Total nonrecurring assets at fair value	\$ 630,223	\$	\$	\$ 630,223

Fair Value Measurements on a Nonrecurring Basis				
As of December 31, 2012				
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 carried at fair value	\$ 52,514	\$	\$	\$ 52,514
Other real estate owned	39,850			39,850
Covered loans	507,712			507,712
Covered other real estate owned	88,273			88,273
Total nonrecurring assets at fair value	\$ 688,349	\$	\$	\$ 688,349

Fair Value Measurements on a Nonrecurring Basis				
As of March 31, 2012				
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 carried at fair value	\$ 69,606	\$	\$	\$ 69,606
Other real estate owned	40,035			40,035
Covered loans	653,377			653,377
Covered other real estate owned	85,803			85,803
Total nonrecurring assets at fair value	\$ 848,821	\$	\$	\$ 848,821

Edgar Filing: Ameris Bancorp - Form 10-Q

Below is the Company's reconciliation of Level 3 assets as of March 31, 2013.

	Investment Securities Available for Sale	Impaired Loans Carried at Fair Value	Other Real Estate Owned	Covered Loans	Covered Other Real Estate Owned
Beginning balance January 1, 2013	\$ 2,000	\$ 52,514	\$ 39,850	\$ 507,712	\$ 88,273
Total gains/(losses) included in net income			(15)		(3,032)
Purchases, sales, issuances, and settlements, net		1,262	(2,027)	(31,449)	(22,865)
Transfers in or out of Level 3		(2,626)	2,626	(15,539)	15,539
Ending balance March 31, 2013	\$ 2,000	\$ 51,150	\$ 40,434	\$ 460,724	\$ 77,915

NOTE 2 INVESTMENT SECURITIES

Ameris' 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. Ameris' portfolio and investing philosophy concentrate activities in obligations where the credit risk is limited. For the small portion of Ameris' 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 March 31, 2013, December 31, 2012 and March 31, 2012 are presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(Dollars in Thousands)				
March 31, 2013:				
U. S. government agencies	\$ 5,000	\$ 15	\$	\$ 5,015
State, county and municipal securities	110,628	5,051	(147)	115,532
Corporate debt securities	10,542	355	(600)	10,297
Mortgage-backed securities	188,492	5,342	(649)	193,185
Total debt securities	\$ 314,662	\$ 10,763	\$ (1,396)	\$ 324,029
December 31, 2012:				
U. S. government agencies	\$ 6,605	\$ 271	\$ (6)	\$ 6,870
State, county and municipal securities	109,736	4,864	(210)	114,390
Corporate debt securities	10,545	330	(547)	10,328
Mortgage-backed securities	209,824	5,701	(204)	215,321
Total debt securities	\$ 336,710	\$ 11,166	\$ (967)	\$ 346,909
March 31, 2012:				
U. S. government agencies	\$ 28,634	\$ 258	\$ (44)	\$ 28,848
State, county and municipal securities	78,440	3,723	(166)	81,997
Corporate debt securities	11,639	217	(471)	11,385
Mortgage-backed securities	244,232	5,573	(244)	249,561
Total debt securities	\$ 362,945	\$ 9,771	\$ (925)	\$ 371,791

Edgar Filing: Ameris Bancorp - Form 10-Q

The amortized cost and fair value of available-for-sale securities at March 31, 2013 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 (Dollars in Thousands)	Fair Value
Due in one year or less	\$ 3,027	\$ 3,041
Due from one year to five years	29,250	30,645
Due from five to ten years	58,652	61,448
Due after ten years	35,241	35,710
Mortgage-backed securities	188,492	193,185
	\$ 314,662	\$ 324,029

Securities with a carrying value of approximately \$245.4 million serve as collateral to secure public deposits and other purposes required or permitted by law at March 31, 2013.

The following table details the gross unrealized losses and fair value of securities aggregated by category and duration of continuous unrealized loss position at March 31, 2013, December 31, 2012 and March 31, 2012.

Description of Securities	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in Thousands)						
March 31, 2013:						
U. S. government agencies	\$	\$	\$	\$	\$	\$
State, county and municipal securities	19,159	(138)	505	(9)	19,664	(147)
Corporate debt securities	244	(6)	4,506	(594)	4,750	(600)
Mortgage-backed securities	55,189	(648)	1,120	(1)	56,309	(649)
Total debt securities	\$ 74,592	\$ (792)	\$ 6,131	\$ (604)	\$ 80,723	\$ (1,396)
December 31, 2012:						
U. S. government agencies	\$ 4,994	\$ (6)	\$	\$	\$ 4,994	\$ (6)
State, county and municipal securities	15,595	(199)	505	(11)	16,100	(210)
Corporate debt securities			4,560	(547)	4,560	(547)
Mortgage-backed securities	23,951	(181)	3,617	(23)	27,568	(204)
Total debt securities	\$ 44,540	\$ (386)	\$ 8,682	\$ (581)	\$ 53,222	\$ (967)
March 31, 2012:						
U. S. government agencies	\$ 8,960	\$ (44)	\$	\$	\$ 8,960	\$ (44)
State, county and municipal securities	8,960	(166)			8,960	(166)
Corporate debt securities	100		6,611	(471)	6,711	(471)
Mortgage-backed securities	37,860	(234)	2,292	(10)	40,152	(244)
Total debt securities	\$ 55,880	\$ (444)	\$ 8,903	\$ (481)	\$ 64,783	\$ (925)

NOTE 3 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 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 Ameris' 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, construction of 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 both 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:

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Commercial, financial and agricultural	\$ 180,888	\$ 174,217	\$ 149,320
Real estate construction and development	130,161	114,199	122,331
Real estate commercial and farmland	766,227	732,322	658,054
Real estate residential	355,716	346,480	328,053
Consumer installment	37,335	40,178	42,085
Other	22,426	43,239	24,001
	\$ 1,492,753	\$ 1,450,635	\$ 1,323,844

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 \$460.7 million, \$507.7 million and \$653.4 million at March 31, 2013, December 31, 2012 and March 31, 2012, respectively, are not included in the above schedule.

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

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Commercial, financial and agricultural	\$ 28,568	\$ 32,606	\$ 43,157
Real estate construction and development	57,114	70,184	93,430
Real estate commercial and farmland	260,159	278,506	350,244
Real estate residential	113,668	125,056	162,768

Edgar Filing: Ameris Bancorp - Form 10-Q

Consumer installment	1,215	1,360	3,778
	\$ 460,724	\$ 507,712	\$ 653,377

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 to interest income. Interest on loans that are classified as non-accrual is recognized when received. 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 non-covered loans accounted for on a nonaccrual basis:

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Commercial, financial and agricultural	\$ 3,756	\$ 4,138	\$ 4,732
Real estate construction and development	9,390	9,281	10,647
Real estate commercial and farmland	9,798	11,962	21,539
Real estate residential	13,840	12,595	14,065
Consumer installment	692	909	1,275
	\$ 37,476	\$ 38,885	\$ 52,258

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

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Commercial, financial and agricultural	\$ 8,718	\$ 10,765	\$ 14,185
Real estate construction and development	18,956	20,027	35,170
Real estate commercial and farmland	47,580	55,946	79,620
Real estate residential	23,018	28,672	40,609
Consumer installment	243	302	637
	\$ 98,515	\$ 115,712	\$ 170,221

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents an analysis of non-covered past due loans as of March 31, 2013, December 31, 2012 and March 31, 2012:

	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 March 31, 2013:							
Commercial, financial & agricultural	\$ 1,797	\$ 149	\$ 3,729	\$ 5,675	\$ 175,213	\$ 180,888	\$
Real estate construction & development	1,538	1,538	8,312	11,388	118,773	130,161	
Real estate commercial & farmland	11,115	3,220	9,352	23,687	742,540	766,227	
Real estate residential	7,686	1,719	11,699	21,104	334,612	355,716	
Consumer installment loans	745	169	563	1,477	35,858	37,335	
Other					22,426	22,426	
Total	\$ 22,881	\$ 6,795	\$ 33,655	\$ 63,331	\$ 1,429,422	\$ 1,492,753	\$

	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, 2012:							
Commercial, financial & agricultural	\$ 258	\$ 312	\$ 3,969	\$ 4,539	\$ 169,678	\$ 174,217	\$
Real estate construction & development	347	332	8,969	9,648	104,551	114,199	
Real estate commercial & farmland	2,867	2,296	9,544	14,707	717,615	732,322	
Real estate residential	7,651	2,766	10,990	21,407	325,073	346,480	
Consumer installment loans	702	391	815	1,908	38,270	40,178	
Other					43,239	43,239	
Total	\$ 11,825	\$ 6,097	\$ 34,287	\$ 52,209	\$ 1,398,426	\$ 1,450,635	\$

	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 March 31, 2012:							
Commercial, financial & agricultural	\$ 1,477	\$ 291	\$ 4,559	\$ 6,327	\$ 142,993	\$ 149,320	\$
Real estate construction & development	2,356	481	9,531	12,368	109,963	122,331	
Real estate commercial & farmland	9,991	2,412	19,646	32,049	626,005	658,054	
Real estate residential	3,905	6,175	13,298	23,378	304,675	328,053	
Consumer installment loans	856	497	1,070	2,423	39,662	42,085	
Other					24,001	24,001	
Total	\$ 18,585	\$ 9,856	\$ 48,104	\$ 76,545	\$ 1,247,299	\$ 1,323,844	\$

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents an analysis of covered past due loans as of March 31, 2013, December 31, 2012 and March 31, 2012:

	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 March 31, 2013:							
Commercial, financial & agricultural	\$ 756	\$ 314	\$ 7,270	\$ 8,340	\$ 20,228	\$ 28,568	\$ 98
Real estate construction & development	3,971	876	17,415	22,262	34,852	57,114	
Real estate commercial & farmland	10,227	2,837	42,464	55,528	204,631	260,159	
Real estate residential	5,608	345	18,895	24,848	88,820	113,668	48
Consumer installment loans	41	11	205	257	958	1,215	
Total	\$ 20,603	\$ 4,383	\$ 86,249	\$ 111,235	\$ 349,489	\$ 460,724	\$ 146

	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, 2012:							
Commercial, financial & agricultural	\$ 2,390	\$ 1,105	\$ 10,612	\$ 14,107	\$ 18,499	\$ 32,606	\$ 98
Real estate construction & development	1,584	2,592	19,656	23,832	46,352	70,184	1,077
Real estate commercial & farmland	11,451	7,373	52,570	71,394	207,112	278,506	1,347
Real estate residential	6,066	3,396	24,976	34,438	90,618	125,056	779
Consumer installment loans	45	13	258	316	1,044	1,360	
Total	\$ 21,536	\$ 14,479	\$ 108,072	\$ 144,087	\$ 363,625	\$ 507,712	\$ 3,301

	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 March 31, 2012:							
Commercial, financial & agricultural	\$ 682	\$ 430	\$ 14,229	\$ 15,341	\$ 27,816	\$ 43,157	\$ 549
Real estate construction & development	2,704	778	32,302	35,784	57,646	93,430	909
Real estate commercial & farmland	12,905	6,994	68,282	88,181	262,063	350,244	2,583
Real estate residential	5,859	3,514	34,870	44,243	118,525	162,768	3
Consumer installment loans	65	68	685	818	2,960	3,778	241
Total	\$ 22,215	\$ 11,784	\$ 150,368	\$ 184,367	\$ 469,010	\$ 653,377	\$ 4,285

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.

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

	As of and For the Period Ended		
	March 31, 2013	December 31, 2012	March 31, 2012
	(Dollars in Thousands)		
Nonaccrual loans	\$ 37,476	\$ 38,885	\$ 52,258
Troubled debt restructurings not included above	18,513	18,744	26,848
Total impaired loans	\$ 55,989	\$ 57,629	\$ 79,106
Impaired loans not requiring a related allowance	\$	\$	\$
Impaired loans requiring a related allowance	\$ 55,989	\$ 57,629	\$ 79,106
Allowance related to impaired loans	\$ 4,839	\$ 5,115	\$ 9,500
Average investment in impaired loans	\$ 56,808	\$ 70,209	\$ 83,940
Interest income recognized on impaired loans	\$ 78	\$ 495	\$ 57
Foregone interest income on impaired loans	\$ 54	\$ 718	\$ 187

The following table presents an analysis of information pertaining to non-covered impaired loans as of March 31, 2013, December 31, 2012 and March 31, 2012:

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
As of March 31, 2013:						
Commercial, financial & agricultural	\$ 7,818	\$	\$ 4,555	\$ 4,555	\$ 740	\$ 4,747
Real estate construction & development	20,633		11,273	11,273	922	11,144
Real estate commercial & farmland	22,996		18,676	18,676	1,816	19,793
Real estate residential	24,777		20,792	20,792	1,344	20,320
Consumer installment loans	920		693	693	17	804
Total	\$ 77,144	\$	\$ 55,989	\$ 55,989	\$ 4,839	\$ 56,808

Edgar Filing: Ameris Bancorp - Form 10-Q

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance (Dollars in Thousands)	Total Recorded Investment	Related Allowance	Average Recorded Investment
As of December 31, 2012:						
Commercial, financial & agricultural	\$ 8,024	\$	\$ 4,940	\$ 4,940	\$ 743	\$ 4,968
Real estate construction & development	20,316		11,016	11,016	910	11,706
Real estate commercial & farmland	25,076		20,910	20,910	2,191	30,638
Real estate residential	24,155		19,848	19,848	1,246	21,813
Consumer installment loans	1,187		915	915	25	1,084
Total	\$ 78,758	\$	\$ 57,629	\$ 57,629	\$ 5,115	\$ 70,209

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance (Dollars in Thousands)	Total Recorded Investment	Related Allowance	Average Recorded Investment
As of March 31, 2012:						
Commercial, financial & agricultural	\$ 7,599	\$	\$ 4,732	\$ 4,732	\$ 932	\$ 4,921
Real estate construction & development	20,593		11,952	11,952	1,993	13,812
Real estate commercial & farmland	45,098		39,304	39,304	3,615	42,155
Real estate residential	24,845		21,843	21,843	2,928	21,948
Consumer installment loans	1,391		1,275	1,275	32	1,104
Total	\$ 99,526	\$	\$ 79,106	\$ 79,106	\$ 9,500	\$ 83,940

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

	As of and For the Period Ended		
	March 31, 2013	December 31, 2012	March 31, 2012
	(Dollars in Thousands)		
Nonaccrual loans	\$ 98,515	\$ 115,712	\$ 170,221
Troubled debt restructurings not included above	21,592	19,194	18,220
Total impaired loans	\$ 120,107	\$ 134,906	\$ 188,441
Impaired loans not requiring a related allowance	\$ 120,107	\$ 134,906	\$ 188,441
Impaired loans requiring a related allowance	\$	\$	\$
Allowance related to impaired loans	\$	\$	\$
Average investment in impaired loans	\$ 127,507	\$ 163,825	\$ 184,162
Interest income recognized on impaired loans	\$ 169	\$ 849	\$ 179
Foregone interest income on impaired loans	\$ 147	\$ 491	\$ 441

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents an analysis of information pertaining to impaired covered loans as of March 31, 2013, December 31, 2012 and March 31, 2012:

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
As of March 31, 2013:						
Commercial, financial & agricultural	\$ 24,301	\$ 8,754	\$	\$ 8,754	\$	\$ 9,778
Real estate construction & development	78,421	23,978		23,978		23,607
Real estate commercial & farmland	139,197	55,822		55,822		60,026
Real estate residential	54,422	31,310		31,310		33,823
Consumer installment loans	324	243		243		273
Total	\$ 296,665	\$ 120,107	\$	\$ 120,107	\$	\$ 127,507

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
As of December 31, 2012:						
Commercial, financial & agricultural	\$ 27,060	\$ 10,802	\$	\$ 10,802	\$	\$ 12,506
Real estate construction & development	85,279	23,236		23,236		29,970
Real estate commercial & farmland	159,493	64,231		64,231		78,790
Real estate residential	63,559	36,335		36,335		42,061
Consumer installment loans	393	302		302		498
Total	\$ 335,784	\$ 134,906	\$	\$ 134,906	\$	\$ 163,825

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
As of March 31, 2012:						
Commercial, financial & agricultural	\$ 24,085	\$ 14,260	\$	\$ 14,260	\$	\$ 13,144
Real estate construction & development	59,102	37,831		37,831		36,097
Real estate commercial & farmland	128,389	90,847		90,847		87,793
Real estate residential	65,971	44,866		44,866		46,573
Consumer installment loans	786	637		637		555
Total	\$ 278,333	\$ 188,441	\$	\$ 188,441	\$	\$ 184,162

Credit Quality Indicators

The Company uses a nine category risk grading system to assign a risk grade to each loan in the portfolio. 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, 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 exhibits 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 receivable or inventory loans and floor plan loans); (iv) existing technical exceptions which raise some doubts about the Bank's perfection in its collateral position or the continued financial capacity of the borrower; or (v) improvements in formerly criticized borrowers, which may warrant banker supervision.

Grade 30 Other Asset Especially Mentioned This grade includes loans that exhibit potential weaknesses that deserve management's close attention. If left uncorrected, these weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date.

Grade 40 Substandard This grade represents loans which are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. These assets exhibit a well-defined weakness or are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. These weaknesses may be characterized by past due performance, operating losses or questionable collateral values.

Grade 50 Doubtful This grade includes loans which exhibit all of the characteristics of a substandard loan with the added provision that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable or improbable.

Grade 60 Loss This grade is assigned to loans which are considered uncollectible and of such little value that their continuance as active assets of the Bank is not warranted. This classification does not mean that the loss has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing it off.

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents the non-covered loan portfolio by risk grade as of March 31, 2013:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
(Dollars in Thousands)							
10	\$ 32,223	\$	\$ 304	\$ 500	\$ 7,241	\$	\$ 40,268
15	11,569	4,794	146,563	68,212	1,635		232,773
20	75,503	34,947	385,984	127,294	19,623	22,426	665,777
23	45	6,606	8,970	13,662	120		29,403
25	52,631	66,012	187,567	112,096	7,340		425,646
30	3,324	6,004	12,334	10,573	250		32,485
40	5,494	11,643	24,505	23,379	1,126		66,147
50	99	155					254
60							
Total	\$ 180,888	\$ 130,161	\$ 766,227	\$ 355,716	\$ 37,335	\$ 22,426	\$ 1,492,753

The following table presents the non-covered loan portfolio by risk grade as of December 31, 2012:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
(Dollars in Thousands)							
10	\$ 24,623	\$	\$ 309	\$ 464	\$ 7,597	\$	\$ 32,993
15	11,316	4,373	147,966	71,254	1,591		236,500
20	79,522	31,413	351,997	114,418	21,361	43,239	641,950
23	42	8,521	9,012	13,788	70		31,433
25	49,071	52,577	176,395	113,591	7,576		399,210
30	2,343	3,394	19,401	9,672	488		35,298
40	7,200	13,765	27,242	23,292	1,495		72,994
50	100	156		1			257
60							
Total	\$ 174,217	\$ 114,199	\$ 732,322	\$ 346,480	\$ 40,178	\$ 43,239	\$ 1,450,635

The following table presents the non-covered loan portfolio by risk grade as of March 31, 2012:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
(Dollars in Thousands)							
10	\$ 18,767	\$ 19	\$ 211	\$ 415	\$ 7,042	\$	\$ 26,454
15	14,063	5,402	155,568	80,623	1,198		256,854
20	63,200	33,805	269,746	85,022	19,478	24,001	495,252
23	265	8,458	9,188	11,719	1		29,631
25	44,035	58,943	164,642	107,530	11,983		387,133
30	3,148	1,955	20,551	16,135	540		42,329
40	5,716	13,459	38,148	26,515	1,828		85,666
50	123	290		94	15		522
60	3						3

Edgar Filing: Ameris Bancorp - Form 10-Q

Total	\$ 149,320	\$ 122,331	\$ 658,054	\$ 328,053	\$ 42,085	\$ 24,001	\$ 1,323,844
-------	------------	------------	------------	------------	-----------	-----------	--------------

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents the covered loan portfolio by risk grade as of March 31, 2013:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
(Dollars in Thousands)							
10	\$	\$	\$	\$	\$	\$	\$
15		34	1,598	638			2,270
20	3,117	11,106	36,020	27,547	266		78,056
23	75	1,248	9,153	1,946			12,422
25	8,135	10,184	110,985	40,863	508		170,675
30	2,979	4,457	35,601	8,784	50		51,871
40	14,262	30,085	66,802	33,890	391		145,430
50							
60							
Total	\$ 28,568	\$ 57,114	\$ 260,159	\$ 113,668	\$ 1,215	\$	\$ 460,724

The following table presents the covered loan portfolio by risk grade as of December 31, 2012:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
(Dollars in Thousands)							
10	\$	\$	\$	\$	\$	\$	\$
15		39	1,640	644			2,323
20	3,997	12,194	37,098	31,337	292		84,918
23	28	1,174	9,576	2,052			12,830
25	10,013	19,216	114,849	40,194	558		184,830
30	4,294	7,214	38,665	11,883	50		62,106
40	14,274	30,347	76,678	38,946	460		160,705
50							
60							
Total	\$ 32,606	\$ 70,184	\$ 278,506	\$ 125,056	\$ 1,360	\$	\$ 507,712

The following table presents the covered loan portfolio by risk grade as of March 31, 2012:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
(Dollars in Thousands)							
10	\$ 216	\$ 9	\$	\$ 1,036	\$ 458	\$	\$ 1,719
15	26	51	1,734	579	12		2,402
20	4,592	5,541	24,784	17,716	622		53,255
23	11	1,534	3,763	1,686			6,994
25	17,075	31,707	157,031	75,809	1,550		283,172
30	2,400	10,628	49,518	12,044	102		74,692
40	18,837	43,960	113,414	53,898	1,034		231,143
50							
60							

Edgar Filing: Ameris Bancorp - Form 10-Q

Total	\$ 43,157	\$ 93,430	\$ 350,244	\$ 162,768	\$ 3,778	\$ 653,377
-------	-----------	-----------	------------	------------	----------	------------

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring if both (i) the borrower is experiencing financial difficulties and (ii) the Company has granted a concession. Concessions may include interest rate reductions to below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. The Company has exhibited the greatest success for rehabilitation of the loan by a reduction in the rate alone (maintaining the amortization of the debt) or a combination of a rate reduction and the forbearance of previously past due interest or principal. This has most typically been evidenced in certain commercial real estate loans whereby a disruption in the borrower's cash flow resulted in an extended past due status, of which the borrower was unable to catch up completely as the cash flow of the property ultimately stabilized at a level lower than its original level. A reduction in rate, coupled with a forbearance of unpaid principal and/or interest, allowed the net cash flows to service the debt under the modified terms.

The Company's policy requires a restructure request to be supported by a current, well-documented credit evaluation of the borrower's financial condition and a collateral evaluation that is no older than six months from the date of the restructure. Key factors of that evaluation include the documentation of current, recurring cash flows, support provided by the guarantor(s) and the current valuation of the collateral. If the appraisal in file is older than six months, an evaluation must be made as to the continued reasonableness of the valuation. For certain income-producing properties, current rent rolls and/or other income information can be utilized to support the appraisal valuation, when coupled with documented cap rates within our markets and a physical inspection of the collateral to validate the current condition.

The Company's policy states in the event a loan has been identified as a troubled debt restructuring, it should be assigned a grade of substandard and placed on nonaccrual status until such time that the borrower has demonstrated the ability to service the loan payments based on the restructured terms—generally defined as six months of satisfactory payment history. Missed payments under the original loan terms are not considered under the new structure; however, subsequent missed payments are considered non-performance and are not considered toward the six month required term of satisfactory payment history. The Company's loan policy states that a nonaccrual loan may be returned to accrual status when (i) none of its principal and interest is due and unpaid, and the Company expects repayment of the remaining contractual principal and interest or (ii) when it otherwise becomes well secured and in the process of collection. Restoration to accrual status on any given loan must be supported by a well-documented credit evaluation of the borrower's financial condition and the prospects for full repayment, approved by the Company's Senior Credit Officer.

In the normal course of business, the Company renews loans with a modification of the interest rate or terms that are not deemed as troubled debt restructurings because the borrower is not experiencing financial difficulty. The Company modified loans in the first three months of 2013 totaling \$27.4 million and loans in 2012 totaling \$40.3 million under such parameters. In addition, the Company offers consumer loan customers an annual skip-a-pay program that is based on certain qualifying parameters and not based on financial difficulties. The Company does not treat these as troubled debt restructurings.

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents the amount of troubled debt restructurings by loan class, classified separately as accrual and non-accrual at March 31, 2013, December 31, 2012 and March 31, 2012:

<i>As of March 31, 2013</i>		Accruing Loans		Non-Accruing Loans	
		#	Balance (in thousands)	#	Balance (in thousands)
Loan class:					
Commercial, financial & agricultural		5	\$ 799		\$
Real estate construction & development		5	1,883	1	43
Real estate commercial & farmland		16	8,878	3	3,595
Real estate residential		26	6,953	3	1,111
Consumer installment				1	6
Total		52	\$ 18,513	8	\$ 4,755

<i>As of December 31, 2012</i>		Accruing Loans		Non-Accruing Loans	
		#	Balance (in thousands)	#	Balance (in thousands)
Loan class:					
Commercial, financial & agricultural		5	\$ 802		\$
Real estate construction & development		5	1,735		
Real estate commercial & farmland		16	8,947	3	4,149
Real estate residential		28	7,254	2	1,022
Consumer installment		1	6		
Total		55	\$ 18,744	5	\$ 5,171

<i>As of March 31, 2012</i>		Accruing Loans		Non-Accruing Loans	
		#	Balance (in thousands)	#	Balance (in thousands)
Loan class:					
Real estate construction & development		6	\$ 1,305	4	\$ 1,626
Real estate commercial & farmland		18	17,765	2	2,176
Real estate residential		22	7,778	3	1,065
Total		46	\$ 26,848	9	\$ 4,867

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents the amount of troubled debt restructurings by loan class, classified separately as those currently paying under restructured terms and those that have defaulted under restructured terms at March 31, 2013, December 31, 2012 and March 31, 2012:

As of March 31, 2013

Loan class:	Loans Currently Paying Under Restructured Terms		Loans that have Defaulted Under Restructured Terms	
	#	Balance (in thousands)	#	Balance (in thousands)
Commercial, financial & agricultural	5	\$ 799		\$
Real estate construction & development	5	1,883	1	43
Real estate commercial & farmland	16	8,878	3	3,595
Real estate residential	26	6,953	3	1,111
Consumer installment			1	6
Total	52	\$ 18,513	8	\$ 4,755

As of December 31, 2012

Loan class:	Loans Currently Paying Under Restructured Terms		Loans that have Defaulted Under Restructured Terms	
	#	Balance (in thousands)	#	Balance (in thousands)
Commercial, financial & agricultural	5	\$ 802		\$
Real estate construction & development	5	1,735		
Real estate commercial & farmland	16	8,947	3	4,149
Real estate residential	28	7,254	2	1,022
Consumer installment			1	6
Total	54	\$ 18,738	6	\$ 5,177

As of March 31, 2012

Loan class:	Loans Currently Paying Under Restructured Terms		Loans that have Defaulted Under Restructured Terms	
	#	Balance (in thousands)	#	Balance (in thousands)
Real estate construction & development	7	\$ 2,413	3	\$ 518
Real estate commercial & farmland	19	17,869	1	2,072
Real estate residential	22	7,778	3	1,065
Total	48	\$ 28,060	7	\$ 3,655

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents the amount of troubled debt restructurings by types of concessions made, classified separately as accrual and non-accrual at March 31, 2013, December 31, 2012 and March 31, 2012:

As of March 31, 2013

Type of Concession:	Accruing Loans		Non-Accruing Loans	
	#	Balance (in thousands)	#	Balance (in thousands)
Forbearance of Interest	2	\$ 1,843		\$
Forgiveness of Principal	3	1,504	1	207
Payment Modification Only	2	376		
Rate Reduction Only	10	7,033	2	182
Rate Reduction, Forbearance of Interest	17	4,046	2	3,100
Rate Reduction, Forbearance of Principal	18	3,711	1	255
Rate Reduction, Payment Modification			2	1,011
Total	52	\$ 18,513	8	\$ 4,755

As of December 31, 2012

Type of Concession:	Accruing Loans		Non-Accruing Loans	
	#	Balance (in thousands)	#	Balance (in thousands)
Forbearance of Interest	2	\$ 1,873		\$
Forgiveness of Principal	3	1,518	1	372
Payment Modification Only	2	376		
Rate Reduction Only	11	7,075	1	177
Rate Reduction, Forbearance of Interest	18	4,061	2	3,420
Rate Reduction, Forbearance of Principal	18	3,798		
Rate Reduction, Payment Modification	1	43	1	1,202
Total	55	\$ 18,744	5	\$ 5,171

As of March 31, 2012

Type of Concession:	Accruing Loans		Non-Accruing Loans	
	#	Balance (in thousands)	#	Balance (in thousands)
Forbearance of Interest	3	\$ 2,275		\$
Forgiveness of Principal	2	893	1	136
Payment Modification Only	2	5,202	1	307
Rate Reduction Only	10	6,541	4	1,140
Rate Reduction, Forbearance of Interest	12	8,360	1	103
Rate Reduction, Forbearance of Principal	16	3,514	1	1,109
Rate Reduction, Payment Modification	1	63	1	2,072
Total	46	\$ 26,848	9	\$ 4,867

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table presents the amount of troubled debt restructurings by collateral types, classified separately as accrual and non-accrual at March 31, 2013, December 31, 2012 and March 31, 2012:

<i>As of March 31, 2013</i>	Accruing Loans		Non-Accruing Loans	
	#	Balance (in thousands)	#	Balance (in thousands)
Collateral type:				
Warehouse	3	\$ 1,689	1	\$ 176
Raw Land	1	1,285	1	43
Hotel & Motel	3	2,273		
Office	4	2,095	1	2,450
Retail, including Strip Centers	6	2,821	1	969
1-4 Family Residential	30	7,550	3	1,111
Life Insurance Policy	1	250		
Automobile/Equipment/Inventory	3	500	1	6
Unsecured	1	50		
Total	52	\$ 18,513	8	\$ 4,755

<i>As of December 31, 2012</i>	Accruing Loans		Non-Accruing Loans	
	#	Balance (in thousands)	#	Balance (in thousands)
Collateral type:				
Warehouse	3	\$ 1,692	1	\$ 177
Raw Land	2	1,337		
Hotel & Motel	3	2,318		
Office	4	2,105	1	2,770
Retail, including Strip Centers	6	2,833	1	1,202
1-4 Family Residential	31	7,651	2	1,022
Life Insurance Policy	1	250		
Automobile/Equipment/Inventory	4	508		
Unsecured	1	50		
Total	55	\$ 18,744	5	\$ 5,171

<i>As of March 31, 2012</i>	Accruing Loans		Non-Accruing Loans	
	#	Balance (in thousands)	#	Balance (in thousands)
Collateral type:				
Apartments	1	\$ 5,111		\$
Warehouse	1	1,343		
Raw Land	4	1,595	1	137
Hotel & Motel	3	2,449	1	2,072
Office	3	1,695	1	103
Retail, including Strip Centers	9	6,657		
1-4 Family Residential	25	7,998	6	2,555
Total	46	\$ 26,848	9	\$ 4,867

As of March 31, 2013, December 31, 2012 and March 31, 2012, the Company had a balance of \$23.3 million, \$23.9 million and \$31.7 million, respectively, in troubled debt restructurings. The Company has recorded \$2.6 million, \$1.9 million and \$2.3 million in previous charge-offs on such loans at March 31, 2013, December 31, 2012 and March 31, 2012, respectively. The Company's balance in the allowance for loan losses allocated to such troubled debt restructurings was \$591,000, \$640,000 and \$3.2 million at March 31, 2013, December 31, 2012 and March 31, 2012, respectively. At March 31, 2013, the Company did not have any commitments to lend additional funds to debtors whose terms have been modified in troubled restructurings

Allowance for Loan Losses

The allowance for loan losses represents a reserve for inherent losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated periodically based on a review of all significant loans, with a particular emphasis on non-accruing, past due and other loans that management believes might be potentially impaired or warrant additional attention. The Company segregates the loan portfolio by type of loan and utilizes this segregation in evaluating exposure to risks within the portfolio. In addition, based on internal reviews and external reviews performed by independent auditors and regulatory authorities, the Company further segregates the loan portfolio by loan grades based on an assessment of risk for a particular loan or group of loans. Certain reviewed loans are assigned specific allowances when a review of relevant data determines that a general allocation is not sufficient or when the review affords management the opportunity to adjust the amount of exposure in a given credit. In establishing allowances, management considers historical loan loss experience but adjusts this data with a significant emphasis on data such as current loan quality trends, current economic conditions and other factors in the markets where the Company operates. Factors considered include, among others, current valuations of real estate in their markets, unemployment rates, the effect of weather conditions on agricultural related entities and other significant local economic events.

The Company has developed a methodology for determining the adequacy of the allowance for loan losses which is monitored by the Company's Chief Credit Officer. Procedures provide for the assignment of a risk rating for every loan included in the total loan portfolio, with the exception of credit card receivables and overdraft protection loans which are treated as pools for risk rating purposes. The risk rating schedule provides nine ratings of which five ratings are classified as pass ratings and four ratings are classified as criticized ratings. Each risk rating is assigned a percentage factor to be applied to the loan balance to determine the adequate amount of reserve. Many of the larger loans require an annual review by an independent loan officer or an independent third party loan review firm. As a result of these loan reviews, certain loans may be assigned specific reserve allocations. Other loans that surface as problem loans may also be assigned specific reserves. Past due loans are assigned risk ratings based on the number of days past due. The calculation of the allowance for loan losses, including underlying data and assumptions, is reviewed regularly by the Company's Chief Financial Officer and the Director of Internal Audit.

Loan losses are charged against the allowance when management believes the collection of a loan's principal is unlikely. Subsequent recoveries are credited to the allowance. Consumer loans are charged-off in accordance with the Federal Financial Institutions Examination Council's Uniform Retail Credit Classification and Account Management Policy. Commercial loans are charged-off when they are deemed uncollectible, which usually involves a triggering event within the collection effort. If the loan is collateral dependent, the loss is more easily identified and is charged-off when it is identified, usually based upon receipt of an appraisal. However, when a loan has guarantor support, the Company may carry the estimated loss as a reserve against the loan while collection efforts with the guarantor are pursued. If, after collection efforts with the guarantor are complete, the deficiency is still considered uncollectible, the loss is charged-off and any further collections are treated as recoveries. In all situations, when a loan is downgraded to an Asset Quality Rating of 60 (Loss per the regulatory guidance), the uncollectible portion is charged-off.

During the three months ended March 31, 2013, the year ended December 31, 2012 and the three months ended March 31, 2012, the Company recorded provision for loan loss expense of \$320,000, \$2.6 million and \$282,000, respectively, to account for losses where the initial estimate of cash flows was found to be excessive on loans acquired in FDIC-assisted transactions. These amounts are excluded from the rollforwards above and below but are reflected in the Company's Consolidated Statements of Earnings.

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table details activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2013, the year ended December 31, 2012 and the three months ended March 31, 2012. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans and Other	Total
	(Dollars in thousands)					
Balance, January 1, 2013	\$ 2,439	\$ 5,343	\$ 9,157	\$ 5,898	\$ 756	\$ 23,593
Provision for loan losses	254	1,467	696	339	(153)	2,603
Loans charged off	(410)	(655)	(1,025)	(779)	(167)	(3,036)
Recoveries of loans previously charged off	84	2	3	85	48	222
Balance, March 31, 2013	\$ 2,367	\$ 6,157	\$ 8,831	\$ 5,543	\$ 484	\$ 23,382

Period-end amount allocated to:

Loans individually evaluated for impairment	\$ 675	\$ 641	\$ 1,890	\$ 1,203	\$	\$ 4,409
Loans collectively evaluated for impairment	1,692	5,516	6,941	4,340	484	18,973

Ending balance	\$ 2,367	\$ 6,157	\$ 8,831	\$ 5,543	\$ 484	\$ 23,382
-----------------------	----------	----------	----------	----------	--------	-----------

Loans:

Individually evaluated for impairment	\$ 3,334	\$ 8,281	\$ 19,545	\$ 14,069	\$	\$ 45,229
Collectively evaluated for impairment	177,554	121,880	746,682	341,647	59,761	1,447,524

Ending balance	\$ 180,888	\$ 130,161	\$ 766,227	\$ 355,716	\$ 59,761	\$ 1,492,753
-----------------------	------------	------------	------------	------------	-----------	--------------

	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans and Other	Total
	(Dollars in thousands)					
Balance, January 1, 2012	\$ 2,918	\$ 9,438	\$ 14,226	\$ 8,128	\$ 446	\$ 35,156
Provision for loan losses	815	5,245	15,000	6,267	1,124	28,451
Loans charged off	(1,451)	(9,380)	(20,551)	(8,722)	(1,059)	(41,163)
Recoveries of loans previously charged off	157	40	482	225	245	1,149
Balance, December 31, 2012	\$ 2,439	\$ 5,343	\$ 9,157	\$ 5,898	\$ 756	\$ 23,593

Period-end amount allocated to:

Loans individually evaluated for impairment	\$ 659	\$ 611	\$ 2,228	\$ 1,056	\$	\$ 4,554
Loans collectively evaluated for impairment	1,780	4,732	6,929	4,842	756	19,039

Ending balance	\$ 2,439	\$ 5,343	\$ 9,157	\$ 5,898	\$ 756	\$ 23,593
-----------------------	----------	----------	----------	----------	--------	-----------

Loans:

Individually evaluated for impairment	\$ 3,351	\$ 7,617	\$ 21,332	\$ 13,020	\$	\$ 45,320
Collectively evaluated for impairment	170,866	106,582	710,990	333,460	83,417	1,405,315

Ending balance	\$ 174,217	\$ 114,199	\$ 732,322	\$ 346,480	\$ 83,417	\$ 1,450,635
-----------------------	------------	------------	------------	------------	-----------	--------------

Edgar Filing: Ameris Bancorp - Form 10-Q

	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland (Dollars in thousands)	Real estate - residential	Consumer installment loans and Other	Total
Balance, January 1, 2012	\$ 2,918	\$ 9,438	\$ 14,226	\$ 8,128	\$ 446	\$ 35,156
Provision for loan losses	(693)	1,967	8,585	2,002	739	12,600
Loans charged off	(155)	(3,930)	(12,964)	(2,123)	(165)	(19,337)
Recoveries of loans previously charged off	48	17	16	141	48	270
Balance, March 31, 2012	\$ 2,118	\$ 7,492	\$ 9,863	\$ 8,148	\$ 1,068	\$ 28,689
Period-end amount allocated to:						
Loans individually evaluated for impairment	\$ 827	\$ 1,450	\$ 3,421	\$ 2,659	\$ 3	\$ 8,360
Loans collectively evaluated for impairment	1,291	6,042	6,442	5,489	1,065	20,329
Ending balance	\$ 2,118	\$ 7,492	\$ 9,863	\$ 8,148	\$ 1,068	\$ 28,689
Loans:						
Individually evaluated for impairment	\$ 3,220	\$ 8,980	\$ 35,971	\$ 17,098	\$ 17	\$ 65,286
Collectively evaluated for impairment	146,100	113,351	622,083	310,955	66,069	1,258,558
Ending balance	\$ 149,320	\$ 122,331	\$ 658,054	\$ 328,053	\$ 66,086	\$ 1,323,844

NOTE 4 ASSETS ACQUIRED IN FDIC-ASSISTED ACQUISITIONS

From October 2009 through July 2012, the Company participated in ten FDIC-assisted acquisitions whereby the Company purchased certain failed institutions out of the FDIC's receivership. These institutions include:

Bank Acquired	Location	Branches	Date Acquired
American United Bank (AUB)	Lawrenceville, Ga.	1	October 23, 2009
United Security Bank (USB)	Sparta, Ga.	2	November 6, 2009
Satilla Community Bank (SCB)	St. Marys, Ga.	1	May 14, 2010
First Bank of Jacksonville (FBJ)	Jacksonville, Fl.	2	October 22, 2010
Tifton Banking Company (TBC)	Tifton, Ga.	1	November 12, 2010
Darby Bank & Trust (DBT)	Vidalia, Ga.	7	November 12, 2010
High Trust Bank (HTB)	Stockbridge, Ga.	2	July 15, 2011
One Georgia Bank (OGB)	Midtown Atlanta, Ga.	1	July 15, 2011
Central Bank of Georgia (CBG)	Ellaville, Ga.	5	February 24, 2012
Montgomery Bank & Trust (MBT)	Ailey, Ga.	2	July 6, 2012

The determination of the initial fair values of loans at the acquisition date and the initial fair values of the related FDIC indemnification assets involves a high degree of judgment and complexity. The carrying values of the acquired loans and the FDIC indemnification assets reflect management's best estimate of the fair value of each of these assets as of the date of acquisition. However, the amount that the Company realizes on these assets could differ materially from the carrying values reflected in the financial statements included in this report, based upon the timing and amount of collections on the acquired loans in future periods. Because of the loss-sharing agreements with the FDIC on these assets, the Company does not expect to incur any significant losses. To the extent the actual values realized for the acquired loans are different from the estimates, the indemnification assets will generally be affected in an offsetting manner due to the loss-sharing support from the FDIC.

FASB ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* (ASC 310), applies to a loan with evidence of deterioration of credit quality since origination, acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. ASC 310 prohibits carrying over or creating an allowance for loan losses upon initial recognition for loans which fall under the scope of this statement. At the acquisition dates, a majority of these loans were valued based on the liquidation value of the underlying collateral because the future cash flows are primarily based on the liquidation of underlying collateral. There was no allowance for credit losses established related to these ASC 310 loans at the acquisition dates, based on the provisions of this statement. Over the life of the acquired loans, the Company continues to estimate cash flows expected to be collected. If the expected cash flows expected to be collected increases, then the Company adjusts the amount of accretable discount recognized on a prospective basis over the loan's remaining life. If the expected cash flows expected to be collected decreases, then the Company records a provision for loan loss in its Consolidated Statement of Operations.

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table summarizes components of all covered assets at March 31, 2013, December 31, 2012 and March 31, 2012 and their origin:

As of March 31, 2013:	Less:			Total covered loans	OREO	Less: Fair value adjustments	Total covered OREO	Total covered assets	FDIC indemnification asset
	Covered loans	Less: Credit risk adjustments	Liquidity and rate adjustments						
	(Dollars in thousands)								
AUB	\$ 25,001	\$ 2,508	\$	\$ 22,493	\$ 8,079	\$ 100	\$ 7,979	\$ 30,472	\$ 4,176
USB	25,921	3,879		22,042	5,379	139	5,240	27,282	9,932
SCB	40,008	3,189		36,819	6,670	299	6,371	43,190	8,189
FBJ	31,479	5,662	11	25,806	1,450	93	1,357	27,163	6,840
DBT	146,178	35,461	83	110,634	25,990	1,895	24,095	134,729	37,333
TBC	42,302	4,450	133	37,719	10,478	1,814	8,664	46,383	8,050
HTB	82,202	14,068	49	68,085	14,823	3,445	11,378	79,463	21,423
OGB	73,279	14,877	127	58,275	10,384	4,144	6,240	64,515	18,687
CBG	109,596	30,605	140	78,851	8,424	1,833	6,591	85,442	46,349
Total	\$ 575,966	\$ 114,699	\$ 543	\$ 460,724	\$ 91,677	\$ 13,762	\$ 77,915	\$ 538,639	\$ 160,979

As of December 31, 2012:	Less:			Total covered loans	OREO	Less: Fair value adjustments	Total covered OREO	Total covered assets	FDIC indemnification asset
	Covered loans	Less: Credit risk adjustments	Liquidity and rate adjustments						
	(Dollars in thousands)								
AUB	\$ 27,169	\$ 2,481	\$	\$ 24,688	\$ 10,636	\$ 102	\$ 10,534	\$ 35,222	\$ 2,905
USB	27,286	4,320		22,966	7,087	99	6,988	29,954	6,619
SCB	41,389	3,285		38,104	10,686	654	10,032	48,136	6,133
FBJ	32,574	6,204	27	26,343	3,260	526	2,734	29,077	6,589
DBT	169,527	41,631	207	127,689	30,395	2,160	28,235	155,924	47,012
TBC	46,796	4,979	173	41,644	11,089	1,381	9,708	51,352	8,073
HTB	90,602	16,072	52	74,478	13,980	4,954	9,026	83,504	20,020
OGB	81,908	17,127	136	64,645	9,168	4,078	5,090	69,735	16,871
CBG	124,200	36,884	161	87,155	9,046	3,120	5,926	93,081	45,502
Total	\$ 641,451	\$ 132,983	\$ 756	\$ 507,712	\$ 105,347	\$ 17,074	\$ 88,273	\$ 595,985	\$ 159,724

Edgar Filing: Ameris Bancorp - Form 10-Q

	Less:								
	Covered loans	Less: Credit risk adjustments	Liquidity and rate adjustments	Total covered loans	OREO (Dollars in thousands)	Less: Fair value adjustments	Total covered OREO	Total covered assets	FDIC indemnification asset
As of March 31, 2012:									
AUB	\$ 33,063	\$ 2,672	\$	\$ 30,391	\$ 11,842	\$	\$ 11,842	\$ 42,233	\$ 2,648
USB	48,017	5,083		42,934	8,401	50	8,351	51,285	6,621
SCB	53,643	5,628	52	47,963	10,833	405	10,428	58,391	7,660
FBJ	38,116	6,994	76	31,046	2,674	534	2,140	33,186	7,540
DBT	245,117	64,530	579	180,008	28,759	2,253	26,506	206,514	65,932
TBC	74,893	14,052	292	60,549	6,678	880	5,798	66,347	18,166
HTB	106,730	23,637	73	83,020	17,755	8,055	9,700	92,720	29,997
OGB	96,271	27,105	190	68,976	12,049	7,037	5,012	73,988	30,126
CBG	164,541	55,830	221	108,490	13,792	7,766	6,026	114,516	51,326
Total	\$ 860,391	\$ 205,531	\$ 1,483	\$ 653,377	\$ 112,783	\$ 26,980	\$ 85,803	\$ 739,180	\$ 220,016

Edgar Filing: Ameris Bancorp - Form 10-Q

On the dates of acquisition, the Company estimated the future cash flows on each individual loan and made the necessary adjustments to reflect the asset at fair value. At each quarter end subsequent to the acquisition dates, the Company revises the estimates of future cash flows based on current information and makes the necessary adjustments to continue reflecting the assets at fair value. The adjustments to fair value are performed on a loan-by-loan basis and have resulted in the following:

Total Amounts	March 31, 2013	December 31, 2012	March 31, 2012
		(Dollars in thousands)	
Adjustments needed where the Company's initial estimate of cash flows were underestimated: (recorded with a reclassification from non-accretable difference to accretable discount)	\$ 4,052	\$ 23,050	\$ 2,818
Adjustments needed where the Company's initial estimate of cash flows were overstated: (recorded through a provision for loan losses)	1,600	13,190	1,410
Amounts reflected in the Company's Statement of Earnings	March 31, 2013	December 31, 2012	March 31, 2012
		(Dollars in thousands)	
Adjustments needed where the Company's initial estimate of cash flows were underestimated: (recorded with a reclassification from non-accretable difference to accretable discount)	\$ 810	\$ 4,610	\$ 564
Adjustments needed where the Company's initial estimate of cash flows were overstated: (recorded through a provision for loan losses)	320	2,638	282

A rollforward of acquired loans with deterioration of credit quality for the three months ended March 31, 2013, the year ended December 31, 2012 and the three months ended March 31, 2012 is shown below:

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Balance, January 1	\$ 282,737	\$ 307,790	\$ 307,790
Change in estimate of cash flows, net of charge-offs or recoveries	(5,391)	(17,712)	(3,388)
Additions due to acquisitions		73,414	73,414
Other (loan payments, transfers, etc.)	(22,279)	(80,755)	(9,451)
Ending balance	\$ 255,067	\$ 282,737	\$ 368,365

A rollforward of acquired loans without deterioration of credit quality for the three months ended March 31, 2013, the year ended December 31, 2012 and the three months ended March 31, 2012 is shown below:

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Balance, January 1	\$ 228,602	\$ 266,966	\$ 266,966
Change in estimate of cash flows, net of charge-offs or recoveries	(2,625)	1,376	222
Additions due to acquisitions		51,368	51,367
Other (loan payments, transfers, etc.)	(20,229)	(91,108)	(19,684)
Ending balance	\$ 205,748	\$ 228,602	\$ 298,871

Edgar Filing: Ameris Bancorp - Form 10-Q

The following is a summary of changes in the accretable discounts of acquired loans during the three months ended March 31, 2013, the year ended December 31, 2012 and the three months ended March 31, 2012:

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Balance, January 1	\$ 16,698	\$ 29,537	\$ 29,537
Additions due to acquisitions		9,863	9,863
Accretion	(7,218)	(45,752)	(12,051)
Other activity, net	4,052	23,050	2,818
Ending balance	\$ 13,532	\$ 16,698	\$ 30,167

The shared-loss agreements are subject to the servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the shared-loss agreements were recorded as an indemnification asset at their estimated fair values on the acquisition dates. Changes in the FDIC shared-loss receivable for the three months ended March 31, 2013, for the year ended December 31, 2012 and for the three months ended March 31, 2012 are as follows:

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Balance, January 1	\$ 159,724	\$ 242,394	\$ 242,394
Indemnification asset recorded in acquisitions		52,654	52,654
Payments received from FDIC	(6,324)	(128,730)	(71,169)
Effect of change in expected cash flows on covered assets	7,579	(6,594)	(3,863)
Ending balance	\$ 160,979	\$ 159,724	\$ 220,016

NOTE 5 WEIGHTED AVERAGE SHARES OUTSTANDING

Earnings per share have been computed based on the following weighted average number of common shares outstanding:

	For the Three Months Ended March 31, 2013 2012	
	(share data in thousands)	
Basic shares outstanding	23,868	23,762
Plus: Dilutive effect of ISOs	63	105
Plus: Dilutive effect of Restricted Grants	315	49
 Diluted shares outstanding	 24,246	 23,916

For the quarter ended March 31, 2013 and 2012, the Company has excluded 408,000 and 476,000, respectively, potential common shares with strike prices that would cause them to be anti-dilutive.

NOTE 6 OTHER BORROWINGS

The Company has, from time to time, utilized certain borrowing arrangements with various financial institutions to fund growth in earning assets or provide additional liquidity when appropriate spreads can be realized. At March 31, 2013 and December 31, 2012, there were no outstanding borrowings with the Company's correspondent banks. At March 31, 2012, there were \$3.8 million outstanding borrowings with the Company's

Edgar Filing: Ameris Bancorp - Form 10-Q

correspondent banks. The Company's success with attracting and retaining retail deposits has allowed for very low dependence on more volatile non-deposit funding.

NOTE 7 COMMITMENTS AND CONTINGENCIES

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. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments. The Company uses the same credit policies in making commitments and conditional obligations as are used for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The Company issues standby letters of credit, which are conditional commitments issued to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements and expire in decreasing amounts with varying terms. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds various assets as collateral supporting those commitments for which collateral is deemed necessary.

The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held may include accounts receivable, inventory, property, plant and equipment, residential real estate and income-producing commercial properties.

The Company's commitments to extend credit and standby letters of credit are presented in the following table:

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Commitments to extend credit	\$ 190,813	\$ 180,733	\$ 156,330
Standby letters of credit	\$ 6,747	\$ 6,788	\$ 8,349

NOTE 8 ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income for the Company consists of changes in net unrealized gains and losses on investment securities available for sale and interest rate swap derivatives. The following tables present a summary of the accumulated other comprehensive income balances, net of tax, as of March 31, 2013 and 2012.

(Dollars in Thousands)	Unrealized Gain (Loss) on Derivatives	Unrealized Gain (Loss) on Securities	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2012	\$ 856	\$ 6,440	\$ 7,296
Current year changes	(94)	(689)	(783)
Balance, March 31, 2012	\$ 762	\$ 5,751	\$ 6,513

(Dollars in Thousands)	Unrealized Gain (Loss) on Derivatives	Unrealized Gain (Loss) on Securities	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2013	\$ (23)	\$ 6,630	\$ 6,607
Reclassification for gains included in net income		(112)	(112)

Edgar Filing: Ameris Bancorp - Form 10-Q

Current year changes		208		(429)		(221)
Balance, March 31, 2013	\$	185	\$	6,089	\$	6,274

NOTE 9 SUBSEQUENT EVENT

On May 2, 2013, the Company announced the signing of a definitive merger agreement under which the Company will acquire The Prosperity Banking Company (Prosperity), the parent company of Prosperity Bank. Upon completion of the holding company merger, Prosperity Bank will be merged with and into Ameris Bank. Prosperity currently operates 12 banking locations in Bay, Duval, Flagler, Putnam, St. Johns and Volusia counties, Florida. As of December 31, 2012, Prosperity reported assets of \$742 million, loans of \$464 million and deposits of \$478 million.

Under the terms of the merger agreement, Prosperity shareholders will have the option to elect to receive either 3.125 shares of Ameris common stock or \$41.50 in cash for each share of Prosperity common stock, subject to the requirement that no more than 50% of the overall consideration will be in the form of cash. The transaction is expected to close in the third quarter of 2013 and is subject to customary closing conditions, regulatory approvals and approval by the shareholders of Prosperity.

Assuming that all consideration is paid with shares of Ameris common stock, based on the closing price of the Company's common stock on May 1, 2013, the transaction would be valued at approximately \$15.7 million and represents 89% of Prosperity's tangible book value as of December 31, 2012. The purchase price will be allocated to the assets purchased as appropriate with the remaining amounts being reported as goodwill. The Company will not be able to make the remaining disclosures required by purchase accounting standards until the transaction closes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain of the statements made in this report are forward-looking statements within the meaning of, and subject to the protections of, Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions and future performance and involve known and unknown risks, uncertainties and other factors, many of which may be beyond our control and which may cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as may, will, anticipate, assume, should, indicate, would, believe, could, expect, estimate, continue, plan, point to, project, predict, could, intend, target, potential and other similar words and expressions that refer to the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation, legislative and regulatory initiatives; additional competition in Ameris' markets; potential business strategies, including acquisitions or dispositions of assets or internal restructuring, that may be pursued by Ameris; state and federal banking regulations; changes in or application of environmental and other laws and regulations to which Ameris is subject; political, legal and economic conditions and developments; financial market conditions and the results of financing efforts; changes in commodity prices and interest rates; weather, natural disasters and other catastrophic events; and other factors discussed in Ameris' filings with the Securities and Exchange Commission under the Exchange Act.

All written or oral forward-looking statements that are made by or are attributable to us are expressly qualified in their entirety by this cautionary notice. Our forward-looking statements apply only as of the date of this report or the respective date of the document from which they are incorporated herein by reference. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date of this report, or after the respective dates on which such statements otherwise are made, whether as a result of new information, future events or otherwise.

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table sets forth unaudited selected financial data for the previous five quarters. This data should be read in conjunction with the consolidated financial statements and the notes thereto and the information contained in this Item 2.

<i>(in thousands, except share data, taxable equivalent)</i>	2013		2012		
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Results of Operations:					
Net interest income	\$ 28,338	\$ 29,559	\$ 28,238	\$ 28,881	\$ 27,727
Net interest income (tax equivalent)	28,695	29,898	28,420	29,058	27,655
Provision for loan losses	2,923	4,442	6,540	7,225	12,882
Non-interest income	11,360	11,904	9,831	8,875	27,264
Non-interest expense	28,884	29,791	28,810	26,623	34,246
Income tax expense	2,606	2,558	816	1,413	2,498
Preferred stock dividends	441	1,118	827	817	815
Net income available to common Shareholders	4,844	3,554	1,076	1,678	4,550
Selected Average Balances:					
Loans, net of unearned income	\$ 1,488,326	\$ 1,471,065	\$ 1,430,227	\$ 1,378,448	\$ 1,329,146
Covered loans	491,691	519,892	574,897	601,802	602,353
Investment securities	340,564	352,790	364,786	370,928	356,112
Earning assets	2,428,720	2,503,381	2,502,908	2,505,744	2,482,070
Assets	2,875,274	2,985,116	2,935,715	2,966,527	2,978,469
Deposits	2,511,511	2,604,320	2,616,866	2,591,607	2,589,978
Common shareholders equity	251,214	240,787	242,614	243,463	242,817
Period-End Balances:					
Loans, net of unearned income	\$ 1,492,753	\$ 1,450,635	\$ 1,439,862	\$ 1,365,489	\$ 1,323,844
Covered loans	460,724	507,712	546,234	601,737	653,377
Earning assets	2,401,043	2,547,719	2,443,040	2,465,116	2,558,047
Total assets	2,861,651	3,019,052	2,949,383	2,920,311	3,043,234
Deposits	2,489,973	2,624,663	2,580,117	2,544,672	2,665,360
Common shareholders equity	255,969	251,355	247,999	249,895	246,813
Per Common Share Data:					
Earnings per share Basic	\$ 0.20	\$ 0.15	\$ 0.05	\$ 0.07	\$ 0.19
Earnings per share Diluted	0.20	0.15	0.04	0.07	0.19
Common book value per share	10.72	10.56	10.41	10.49	10.36
End of period shares outstanding	23,875,680	23,799,768	23,819,144	23,819,144	23,814,144
Weighted average shares outstanding					
Basic	23,867,691	23,815,583	23,819,144	23,818,814	23,762,196
Diluted	24,246,346	23,857,095	23,973,369	23,973,039	23,916,421
Market Data:					
High closing price	\$ 14.51	\$ 12.71	\$ 12.88	\$ 13.40	\$ 13.32
Low closing price	12.79	10.50	11.27	10.88	10.34
Closing price for quarter	14.35	12.49	12.59	12.60	13.14
Average daily trading volume	51,887	48,295	45,543	58,370	59,139
Cash dividends per share					
Stock dividend					
Price to earnings	17.94	20.82	78.69	45.00	17.29
Closing price to book value	1.34	1.18	1.21	1.20	1.27
Performance Ratios:					
Return on average assets	0.75%	0.62%	0.26%	0.34%	0.72%
Return on average common equity	8.53%	7.72%	3.12%	4.12%	8.89%
Average loan to average deposits	78.84%	76.45%	76.62%	76.41%	74.58%
Average equity to average assets	9.70%	9.39%	10.01%	9.93%	9.86%
Net interest margin (tax equivalent)	4.79%	4.75%	4.52%	4.66%	4.48%
Efficiency ratio (tax equivalent)	72.76%	71.85%	75.68%	70.51%	62.28%

Overview

The following is management's discussion and analysis of certain significant factors which have affected the financial condition and results of operations of the Company as reflected in the unaudited consolidated balance sheet as of March 31, 2013, as compared to December 31, 2012, and operating results for the three month periods ended March 31, 2013 and 2012. These comments should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes appearing elsewhere herein.

Results of Operations for the Three Months Ended March 31, 2013***Consolidated Earnings and Profitability***

Ameris reported net income available to common shareholders of \$4.8 million, or \$0.20 per diluted share, for the quarter ended March 31, 2013, compared to \$4.6 million, or \$0.19 per diluted share, for the same quarter in 2012. The Company's return on average assets and average stockholders' equity in the first quarter of 2013 was 0.75% and 8.53%, respectively, compared to 0.72% and 8.89%, respectively, in the first quarter of 2012. The Company's mortgage banking activities have had a significant impact on the overall financial results of the Company. Below is a more detailed analysis of the retail banking activities and mortgage banking activities of the Company.

	Retail Banking	Mortgage Banking	Total
	<i>(in thousands)</i>		
As of March 31, 2013:			
Net interest income	\$ 27,766	\$ 572	\$ 28,338
Provision for loan losses	2,923		2,923
Non-interest income	6,896	4,461	11,360
Non-interest expense			
Salaries and employee benefits	11,037	2,769	13,806
Occupancy	2,765	166	2,931
Data Processing	2,471	99	2,570
Other expenses	8,890	687	9,577
Total non-interest expense	25,163	3,721	28,884
Income before income taxes	6,576	1,315	7,891
Income tax expense	2,146	460	2,606
Net income	4,430	855	5,285
Preferred stock dividends	441		441
Net income available to common Shareholders	\$ 3,989	\$ 855	\$ 4,844

	Retail Banking	Mortgage Banking	Total
	<i>(in thousands)</i>		
As of March 31, 2012:			
Net interest income	\$ 27,586	\$ 141	\$ 27,727
Provision for loan losses	128,823		12,882
Non-interest income	25,789	1,475	27,264
Non-interest expense			
Salaries and employee benefits	10,262	1,184	11,446
Occupancy	3,253	82	3,335
Data Processing	1,880	45	1,925
Other expenses	17,368	172	17,540
Total non-interest expense	32,763	1,483	34,246
Income before income taxes	7,730	133	7,863
Income tax expense	2,451	47	2,498
Net income	5,279	86	5,365

Edgar Filing: Ameris Bancorp - Form 10-Q

Preferred stock dividends	815		815
Net income available to common Shareholders	\$ 4,464	\$ 86	\$ 4,550

Net Interest Income and Margins

On a tax equivalent basis, net interest income for the first quarter of 2013 was \$28.7 million, an increase of \$1.0 million compared to the same quarter in 2012. Significant increases in the Company's net interest margin have been the result of flat yields on all classes of earning assets complemented by steady decreases in the Company's cost of funds. The Company's net interest margin increased during the first quarter of 2013 to 4.79%, compared to 4.48% during the first quarter of 2012. Steady improvements in the earning asset mix and decreased funding costs have positively impacted the Company's net interest margin over the past year.

Total interest income, on a tax equivalent basis, during the first quarter of 2013 was \$31.2 million compared to \$32.3 million in the same quarter of 2012. Yields on earning assets fell slightly to 5.21%, compared to 5.22% reported in the first quarter of 2012. During the first quarter of 2013, loans comprised 81.5% of earning assets, compared to 77.8% in the same quarter of 2012. Increased lending activities have provided opportunities to begin to grow the legacy loan portfolio. Yields on legacy loans increased slightly to 5.58% in the first quarter of 2013, compared to 5.57% in the same period of 2012. Covered loan yields declined from 7.33% in the first quarter of 2012 to 7.23% in the first quarter of 2013. Management anticipates improving economic conditions and increased loan demand will provide opportunities to invest a portion of the short-term assets at higher yields.

Total funding costs declined to 0.40% in the first quarter of 2013, compared to 0.69% during the first quarter of 2012. Deposit costs decreased from 0.63% in the first quarter of 2012 to 0.36% in the first quarter of 2013. Ongoing efforts to maintain the percentage of funding from transaction deposits have succeeded such that non-CD deposits averaged 72.1% of total deposits in the first quarter of 2013, compared to 66.0% during the first quarter of 2012. Lower costs on deposits were realized due mostly to the lower rate environment and the Company's ability to be less competitive on higher priced CDs due to its larger than normal position in short-term assets. Further opportunity to realize savings on deposits exists but may be limited due to current costs. Average balances of interest bearing deposits and their respective costs for the first quarter of 2013 and 2012 are shown below:

(Dollars in Thousands)	March 31, 2013		March 31, 2012	
	Average Balance	Average Cost	Average Balance	Average Cost
NOW	\$ 633,313	0.19%	\$ 619,047	0.34%
MMDA	592,842	0.36%	598,956	0.56%
Savings	102,380	0.11%	87,219	0.16%
Retail CDs < \$100,000	313,191	0.64%	373,519	1.01%
Retail CDs > \$100,000	368,577	0.78%	444,838	1.12%
Brokered CDs	19,448	3.52%	61,287	3.29%
Interest bearing deposits	\$ 2,029,751	0.44%	\$ 2,184,866	0.75%

Provision for Loan Losses and Credit Quality

The Company's provision for loan losses during the first quarter of 2013 amounted to \$2.9 million, compared to \$4.4 million in the fourth quarter of 2012 and to \$12.9 million in the first quarter of 2012. Although the Company has experienced improving trends in criticized and classified assets for several quarters, provision for loan losses has still been required to account for continued devaluation of real estate collateral. At March 31, 2013, classified loans still accruing totaled \$28.6 million, compared to \$32.4 million at March 31, 2012. Non-covered non-accrual loans at March 31, 2013 totaled \$37.5 million, a 28.3% decrease from \$52.3 million reported at the end of the first quarter of 2012.

At March 31, 2013, OREO (excluding covered OREO) totaled \$40.4 million, compared to \$36.4 million at March 31, 2012. Management regularly assesses the valuation of OREO through periodic reappraisal and through inquiries received in the marketing process. The Company has found that with a marketing window of 3-6 months, the liquidation of properties varies from 85% to 100% of current book value. Certain properties, mostly raw land and subdivision lots, have extended marketing periods because of excessive inventory and record low home building activity. At the end of the first quarter of 2013, total non-covered non-performing assets decreased to 2.72% of total assets compared to 2.91% at March 31, 2012. Management continues to aggressively identify and resolve problem assets while seeking quality credits to grow the loan portfolio.

Net charge-offs on loans during the first quarter of 2013 decreased to \$2.8 million, or 0.76% of loans on an annualized basis, compared to \$19.1 million, or 5.79% of loans, in the first quarter of 2012. The increased level of charge-offs in the first quarter of 2012 relates to the Company's bulk sale of non-performing loans during that quarter. Excluding amounts charged-off in the bulk sale, the Company's net charge-offs would have been \$8.7 million, or 2.65% of loans on an annualized basis for the first quarter of 2012. The Company's allowance for loan losses at March 31, 2013 was \$23.4 million, or 1.57% of total loans, compared to \$28.7 million, or 2.17% of total loans, at March 31, 2012.

Non-interest Income

Total non-interest income for the first quarter of 2013 was \$11.4 million, compared to \$27.3 million in the first quarter of 2012. The Company recorded a \$20.0 million gain on acquisition in the first quarter of 2012. Excluding the gain on acquisition, non-interest income increased \$4.1 million, or 57.2%, in the first quarter of 2013, compared to the first quarter of 2012. Income from mortgage related activities continued to increase as a result of the Company's increased number of mortgage bankers and higher level of productions. Service charges on deposit accounts in the first quarter of 2013 increased to \$4.8 million, compared to \$4.4 million in the first quarter of 2012. This increase was driven by higher balances in accounts subject to service charges and continued growth of core accounts through the Company's FDIC-assisted acquisition strategy.

Non-interest Expense

Total non-interest expense for the first quarter of 2013 decreased to \$28.9 million, compared to \$34.2 million at the same time in 2012. Salaries and employee benefits increased from \$11.4 million in the first quarter of 2012 to \$13.8 million in the first quarter of 2013. The majority of the increase is due to the reinstatement of foregone compensation (including incentive accruals and board fees) during 2012. Occupancy and equipment expense decreased during the quarter from \$3.3 million in the first quarter of 2012 to \$2.9 million in the first quarter of 2013. Total data processing and telecommunications expense in the first quarter of 2013 was \$2.6 million, compared to \$1.9 million in the first quarter of 2012. Credit related expenses in the first quarter of 2013 totaled \$4.8 million, compared to \$12.7 million in the first quarter of 2012. The elevated credit costs in the first quarter of 2012 related to the Company's bulk sale of problem assets during that quarter.

Income taxes

Income tax expense is influenced by the amount of taxable income, the amount of tax-exempt income and the amount of non-deductible expenses. For the first quarter of 2013, the Company reported income tax expense of \$2.6 million, compared to \$2.5 million in the same period of 2012. The Company's effective tax rate for the three months ended March 31, 2013 and 2012 was 33.0% and 31.8%, respectively.

Balance Sheet Comparison

Securities

Debt securities with readily determinable fair values are classified as available for sale and recorded at fair value with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income, net of the related deferred tax effect. Equity securities, including restricted equity securities, are classified as other investment securities and are recorded at their fair market value.

The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the life of the securities. Realized gains and losses, determined on the basis of the cost of specific securities sold, are included in earnings on the settlement date. Declines in the fair value of securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses.

In determining whether other-than-temporary impairment losses exist, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Substantially all of the unrealized losses on debt securities are related to changes in interest rates and do not affect the expected cash flows of the issuer or underlying collateral. All unrealized losses are considered temporary because each security carries an acceptable investment grade and the Company does not intend to sell these investment securities at an unrealized loss position at March 31, 2013, 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 March 31, 2013, these investments are not considered impaired on an other-than temporary basis.

Edgar Filing: Ameris Bancorp - Form 10-Q

The following table illustrates certain information regarding the Company's investment portfolio with respect to yields, sensitivities and expected cash flows over the next twelve months assuming constant prepayments and maturities:

	Book Value	Fair Value	Yield	Modified Duration	Estimated Cash Flows 12 months
Dollars in Thousands					
March 31, 2013:					
U.S. government agencies	\$ 5,000	\$ 5,015	1.50%	0.82	\$ 5,000
State, county and municipal securities	\$ 110,628	\$ 115,532	3.77%	5.75	\$ 8,698
Corporate debt securities	\$ 10,542	\$ 10,297	6.63%	7.42	\$
Mortgage-backed securities	\$ 188,492	\$ 193,185	2.44%	3.41	\$ 42,921
Total debt securities	\$ 314,662	\$ 324,029	3.04%	4.33	\$ 56,619
March 31, 2012:					
U.S. government agencies	\$ 28,634	\$ 28,848	1.55%	1.42	\$ 18,000
State, county and municipal securities	\$ 78,440	\$ 81,997	4.59%	6.04	\$ 6,017
Corporate debt securities	\$ 11,639	\$ 11,385	6.80%	7.20	\$ 1,350
Mortgage-backed securities	\$ 244,232	\$ 249,561	2.88%	2.82	\$ 75,992
Total debt securities	\$ 362,945	\$ 371,791	3.28%	3.54	\$ 101,359

Loans and Allowance for Loan Losses

At March 31, 2013, gross loans outstanding (including covered loans and mortgage loans held for sale) were \$2.00 billion, a slight increase compared to the \$1.99 billion reported at December 31, 2012. Mortgage loans held for sale decreased from \$48.8 million at December 31, 2012 to \$42.3 million at March 31, 2013. Other non-covered loans increased \$42.1 million, from \$1.45 billion at December 31, 2012 to \$1.49 billion at March 31, 2013. Covered loans decreased \$47.0 million, from \$507.7 million at December 31, 2012 to \$460.7 million at March 31, 2013.

The Company regularly monitors the composition of the loan portfolio to evaluate the adequacy of the allowance for loan losses in light of the impact that changes in the economic environment may have on the loan portfolio. The Company focuses on the following loan categories: (1) commercial, financial and agricultural; (2) residential real estate; (3) commercial and farmland real estate; (4) construction and development related real estate; and (5) consumer. The Company's management has strategically located its branches in select markets in south and southeast Georgia, north Florida, southeast Alabama and throughout South Carolina to take advantage of the growth in these areas.

The Company's risk management processes include a loan review program designed to evaluate the credit risk in the loan portfolio and ensure credit grade accuracy. Through the loan review process, the Company conducts (1) a loan portfolio summary analysis, (2) charge-off and recovery analysis, (3) trends in accruing problem loan analysis and (4) problem and past due loan analysis. This analysis process serves as a tool to assist management in assessing the overall quality of the loan portfolio and the adequacy of the allowance for loan losses. Loans classified as *substandard* are loans which are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. These assets exhibit a well-defined weakness or are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. These weaknesses may be characterized by past due performance, operating losses and/or questionable collateral values. Loans classified as *doubtful* are those loans that have characteristics similar to substandard loans but have an increased risk of loss. Loans classified as *loss* are those loans which are considered uncollectible and are in the process of being charged-off.

The allowance for loan losses is a reserve established through charges to earnings in the form of a provision for loan losses. The provision for loan losses is based on management's evaluation of the size and composition of the loan portfolio, the level of non-performing and past due loans, historical trends of charged-off loans and recoveries, prevailing economic conditions and other factors management deems appropriate. The Company's management has established an allowance for loan losses which it believes is adequate for the risk of loss inherent in the loan portfolio. Based on a credit evaluation of the loan portfolio, management presents a monthly review of the allowance for loan losses to the Company's Board of Directors. The review that management has developed primarily focuses on risk by evaluating individual loans in certain risk categories. These categories have also been established by management and take the form of loan grades. By grading the loan portfolio in this manner the Company's management is able to effectively evaluate the portfolio by risk, which management believes is the most effective way to analyze the loan portfolio and thus analyze the adequacy of the allowance for loan losses.

Edgar Filing: Ameris Bancorp - Form 10-Q

The allowance for loan losses is established by examining (1) the large classified loans, nonaccrual loans and loans considered impaired and evaluating them individually to determine the specific reserve allocation and (2) the remainder of the loan portfolio to allocate a portion of the allowance based on past loss experience and the economic conditions for the particular loan category. The Company also considers other factors such as changes in lending policies and procedures; changes in national, regional and/or local economic and business conditions; changes in the nature and volume of the loan portfolio; changes in the experience, ability and depth of either the bank president or lending staff; changes in the volume and severity of past due and classified loans; changes in the quality of the Company's corporate loan review system; and other factors management deems appropriate.

For the three month period ended March 31, 2013, the Company recorded net charge-offs totaling \$2.8 million, compared to \$19.1 million for the period ended March 31, 2012. The provision for loan losses for the three months ended March 31, 2013 decreased to \$2.6 million, compared to \$12.6 million during the three month period ended March 31, 2012. Increased levels of charge-offs and provision expense in the first quarter of 2012 relates almost entirely to the Company's bulk sale of non-performing loans during that quarter. At the end of the first quarter of 2013, the allowance for loan losses totaled \$23.4 million, or 1.57% of total loans, compared to \$23.6 million, or 1.63% of total loans, at December 31, 2012 and \$28.7 million, or 2.17% of total loans, at March 31, 2012.

The following table presents an analysis of the allowance for loan losses for the three month periods ended March 31, 2013 and March 31, 2012:

(Dollars in Thousands)	March 31, 2013	March 31, 2012
Balance of allowance for loan losses at beginning of period	\$ 23,593	\$ 35,156
Provision charged to operating expense	2,603	12,600
Charge-offs:		
Commercial, financial and agricultural	410	155
Real estate - residential	779	2,123
Real estate - commercial and farmland	1,025	12,964
Real estate - construction and development	655	3,930
Consumer installment	167	165
Other		
Total charge-offs	3,036	19,337
Recoveries:		
Commercial, financial and agricultural	84	48
Real estate - residential	85	141
Real estate - commercial and farmland	3	16
Real estate - construction and development	2	17
Consumer installment	48	48
Other		
Total recoveries	222	270
Net charge-offs	2,814	19,067
Balance of allowance for loan losses at end of period	\$ 23,382	\$ 28,689
Net annualized charge-offs as a percentage of average loans	0.76%	5.79%
Allowance for loan losses as a percentage of loans at end of period	1.57%	2.17%

Assets Covered by Loss-Sharing Agreements with the FDIC

Loans that were acquired in FDIC-assisted transactions that are covered by the loss-sharing agreements with the FDIC (covered loans) totaled \$460.7 million, \$507.7 million and \$653.4 million at March 31, 2013, December 31, 2012 and March 31, 2012, respectively. OREO that is covered by the loss-sharing agreements with the FDIC totaled \$77.9 million, \$88.3 million and \$85.8 million at March 31, 2013, December 31, 2012 and March 31, 2012, respectively. The loss-sharing agreements are subject to the servicing procedures as specified in the agreements with the FDIC. The expected reimbursements under the loss-sharing agreements were recorded as an indemnification asset at their estimated fair value on the acquisition dates. The FDIC loss-share receivable reported at March 31, 2013, December 31, 2012 and March 31, 2012 was \$161.0 million, \$159.7 million and \$220.0 million, respectively.

Edgar Filing: Ameris Bancorp - Form 10-Q

The Company recorded the loans at their fair values, taking into consideration certain credit quality, risk and liquidity marks. The Company is confident in its estimation of credit risk and its adjustments to the carrying balances of the acquired loans. If the Company determines that a loan or group of loans has deteriorated from its initial assessment of fair value, a reserve for loan losses will be established to account for that difference. During the three months ended March 31, 2013, the year ended December 31, 2012 and the three months ended March 31, 2012, the Company recorded provision for loan loss expense of \$320,000, \$2.6 million and \$282,000, respectively, to account for losses where the initial estimate of cash flows was found to be excessive on loans acquired in FDIC-assisted transactions. If the Company determines that a loan or group of loans has improved from its initial assessment of fair value, the increase in cash flows over those expected at the acquisition date is recognized as interest income prospectively.

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

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Commercial, financial and agricultural	\$ 28,568	\$ 32,606	\$ 43,157
Real estate construction and development	57,114	70,184	93,430
Real estate commercial and farmland	260,159	278,506	350,244
Real estate residential	113,668	125,056	162,768
Consumer installment	1,215	1,360	3,778
	\$ 460,724	\$ 507,712	\$ 653,377

Non-Performing Assets

Non-performing assets include nonaccrual loans, accruing loans contractually past due 90 days or more, repossessed personal property, and other real estate owned. Loans are placed on nonaccrual status when management has concerns relating to the ability to collect the principal and interest and generally when such loans are 90 days or more past due. Management performs a detailed review and valuation assessment of impaired loans on a quarterly basis and recognizes losses when impairment is identified. A loan is considered impaired when it is probable that not all principal and interest amounts will be collected according to the loan contract. When a loan is placed on nonaccrual status, any interest previously accrued but not collected is reversed against current income.

At March 31, 2013, nonaccrual loans totaled \$37.5 million, a decrease of approximately \$1.4 million since December 31, 2012. The decrease in nonaccrual loans is due to the sale of problem assets during the first quarter of 2013 and a significant slowdown in the formation of new problem credits. Non-performing assets as a percentage of total assets were 2.72%, 2.61% and 2.91% at March 31, 2013, December 31, 2012 and March 31, 2012, respectively.

Non-performing assets at March 31, 2013, December 31, 2012 and March 31, 2012 were as follows:

(Dollars in Thousands)	March 31, 2013	December 31, 2012	March 31, 2012
Total nonaccrual loans	\$ 37,476	\$ 38,885	\$ 52,258
Accruing loans delinquent 90 days or more			
Other real estate owned and repossessed collateral	40,434	39,850	36,414
Total non-performing assets	\$ 77,910	\$ 78,735	\$ 88,672

The restructuring of a loan is considered a troubled debt restructuring if both (i) the borrower is experiencing financial difficulties and (ii) the Company has granted a concession. The following table presents the amount of accruing troubled debt restructurings by loan class at March 31, 2013, December 31, 2012 and March 31, 2012:

March 31, 2013	December 31, 2012	March 31, 2012
	<i>(in thousands)</i>	

Edgar Filing: Ameris Bancorp - Form 10-Q

Loan class:	#	Balance	#	Balance	#	Balance
Commercial, financial & agricultural	5	\$ 799	5	\$ 802		
Real estate construction & development	5	1,883	5	1,735	6	1,305
Real estate commercial & farmland	16	8,878	16	8,947	18	17,765
Real estate residential	26	6,953	28	7,254	22	7,778
Consumer installment			1	6		
Total	52	\$ 18,513	55	\$ 18,744	46	\$ 26,848

Commercial Lending Practices

On December 12, 2006, the Federal Bank Regulatory Agencies released guidance on *Concentration in Commercial Real Estate Lending*. This guidance defines commercial real estate (CRE) loans as loans secured by raw land, land development and construction (including 1-4 family residential construction), multi-family property and non-farm nonresidential property where the primary or a significant source of repayment is derived from rental income associated with the property, excluding owner occupied properties (loans for which 50% or more of the source of repayment is derived from the ongoing operations and activities conducted by the party, or affiliate of the party, who owns the property) or the proceeds of the sale, refinancing or permanent financing of the property. Loans for owner occupied CRE are generally excluded from the CRE guidance.

The CRE guidance is applicable when either:

- (1) total loans for construction, land development and other land, net of owner occupied loans, represent 100% or more of a bank's total risk-based capital; or
- (2) total loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development and other land, net of owner occupied loans, represent 300% or more of a bank's total risk-based capital.

Banks that are subject to the CRE guidance's criteria are required to implement enhanced strategic planning, CRE underwriting policies, risk management and internal controls, portfolio stress testing, risk exposure limits, and other policies, including management compensation and incentives, to address the CRE risks. Higher allowances for loan losses and capital levels may also be appropriate.

As of March 31, 2013, the Company exhibited a concentration in CRE loans based on Federal Reserve Call codes. The primary risks of CRE lending are:

- (1) within CRE loans, construction and development loans are somewhat dependent upon continued strength in demand for residential real estate, which is reliant on favorable real estate mortgage rates and changing population demographics;
- (2) on average, CRE loan sizes are generally larger than non-CRE loan types; and
- (3) certain construction and development loans may be less predictable and more difficult to evaluate and monitor.

The following table outlines CRE loan categories and CRE loans as a percentage of total loans as of March 31, 2013 and December 31, 2012. The loan categories and concentrations below are based on Federal Reserve Call codes and include covered loans.

(Dollars in Thousands)	March 31, 2013		December 31, 2012	
	Balance	% of Total Loans	Balance	% of Total Loans
Construction and development loans	\$ 187,275	10%	\$ 184,383	9%
Multi-family loans	69,273	3%	60,111	3%
Nonfarm non-residential loans	957,205	49%	950,910	49%
Total CRE Loans	\$ 1,213,753	62%	\$ 1,195,404	61%
All other loan types	739,724	38%	762,943	39%
Total Loans	\$ 1,953,477	100%	\$ 1,958,347	100%

The following table outlines the percent of total CRE loans, net owner occupied loans to total risk-based capital, and the Company's internal concentration limits as of March 31, 2013 and December 31, 2012.

Edgar Filing: Ameris Bancorp - Form 10-Q

	Internal Limit	March 31, 2013 Actual	December 31, 2012 Actual
Construction and development	100%	66%	66%
Commercial real estate	300%	236%	237%

Short-Term Investments

The Company's short-term investments are comprised of federal funds sold and interest bearing balances. At March 31, 2013, the Company's short-term investments were \$81.2 million, compared to \$193.7 million and \$194.2 million at December 31, 2012 and March 31, 2012, respectively. At March 31, 2013, all of the balance was comprised of interest bearing balances, the majority of which were at the Federal Reserve Bank of Atlanta.

Derivative Instruments and Hedging Activities

The Company had a cash flow hedge with a notional amount of \$37.1 million at March 31, 2013, December 31, 2012 and March 31, 2012 for the purpose of converting the variable rate on the junior subordinated debentures to fixed rate. The fair value of these instruments amounted to a liability of approximately \$2.6 million, \$3.0 million and \$2.1 million at March 31, 2013, December 31, 2012 and March 31, 2012, respectively. The Company also had forward contracts with a fair value of approximately \$1.6 million and \$1.2 million at March 31, 2013 and December 31, 2012, respectively, to hedge changes in the value of the mortgage inventory due to changes in market interest rates. No hedge ineffectiveness from cash flow hedges was recognized in the statement of operations. All components of each derivative's gain or loss are included in the assessment of hedge effectiveness.

Capital

Capital management consists of providing equity to support both current and anticipated future operations. The Company is subject to capital adequacy requirements imposed by the Federal Reserve Board (the "FRB") and the Georgia Department of Banking and Finance (the "GDBF"), and the Bank is subject to capital adequacy requirements imposed by the FDIC and the GDBF.

The FRB, the FDIC and the GDBF have adopted risk-based capital requirements for assessing bank holding company and bank capital adequacy. These standards define and establish minimum capital requirements in relation to assets and off-balance sheet exposure, adjusted for credit risk. The risk-based capital standards currently in effect are designed to make regulatory capital requirements more sensitive to differences in risk profiles among bank holding companies and banks and to account for off-balance sheet exposure. The regulatory capital standards are defined by the following three key measurements:

- The **Leverage Ratio** is defined as Tier 1 capital to average assets. To be considered adequately capitalized under this measurement, a bank must maintain a leverage ratio greater than or equal to 4.00%. For a bank to be considered well capitalized, it must maintain a leverage ratio greater than or equal to 5.00%.
- The **Core Capital Ratio** is defined as Tier 1 capital to total risk weighted assets. To be considered adequately capitalized under this measurement, a bank must maintain a core capital ratio greater than or equal to 4.00%. For a bank to be considered well capitalized, it must maintain a core capital ratio greater than or equal to 6.00%.
- The **Total Capital Ratio** is defined as total capital to total risk weighted assets. To be considered adequately capitalized under this measurement, a bank must maintain a total capital ratio greater than or equal to 8.00%. For a bank to be considered well capitalized, it must maintain a total capital ratio greater than or equal to 10.00%.

As of March 31, 2013, under the regulatory capital standards, the Bank was considered well capitalized under all capital measurements. The following table sets forth the regulatory capital ratios of Ameris at March 31, 2013, December 31, 2012 and March 31, 2012.

	March 31, 2013	December 31, 2012	March 31, 2012
Leverage Ratio (tier 1 capital to average assets)			
Consolidated	10.93%	10.34%	11.01%
Ameris Bank	10.88	10.30	10.93
Core Capital Ratio (tier 1 capital to risk weighted assets)			
Consolidated	17.49	17.49	19.12
Ameris Bank	17.43	17.40	19.01
Total Capital Ratio (total capital to risk weighted assets)			
Consolidated	18.74	18.74	20.38
Ameris Bank	18.68	18.65	20.27

Capital Purchase Program

On November 21, 2008, the Company, pursuant to the Capital Purchase Program established in connection with the Troubled Asset Relief Program, issued and sold to the U.S. Treasury, for an aggregate cash purchase price of \$52 million, (i) 52,000 shares (the "Preferred Shares") of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of \$1,000 per share, and (ii) a ten-year warrant (the "Warrant") to purchase up to 679,443 shares of our common stock at an exercise price of \$11.48 per share. On June 14, 2012, the Preferred Shares were sold by the Treasury through a registered public offering. On August 22, 2012, the Company repurchased the Warrant from the Treasury for \$2.67 million, and in December 2012, the Company repurchased 24,000 of the outstanding Preferred Shares.

Cumulative dividends on the Preferred Shares that remain outstanding will accrue on the liquidation preference at a rate of 5% per annum for the first five years and at a rate of 9% per annum thereafter, but such dividends will be paid only if, as and when declared by the Company's Board of Directors. The Preferred Shares have no maturity date and rank senior to the Common Stock (and pari passu with the Company's other authorized preferred stock, of which no shares are currently designated or outstanding) with respect to the payment of dividends and distributions and amounts payable upon liquidation, dissolution and winding up of the Company. Subject to the approval of the Federal Reserve, the Preferred Shares are redeemable at the option of the Company at 100% of their liquidation preference.

The Purchase Agreement pursuant to which the Preferred Shares and the Warrant were sold contains limitations on the payment of dividends on the Common Stock and on the Company's ability to repurchase its Common Stock, and subjects the Company to certain of the executive compensation limitations included in the EESA and related regulations.

Interest Rate Sensitivity and Liquidity

The Company's primary market risk exposures are credit, interest rate risk, and to a lesser degree, liquidity risk. The Bank operates under an Asset Liability Management Policy approved by the Company's Board of Directors and the Asset and Liability Committee (the ALCO Committee). The policy outlines limits on interest rate risk in terms of changes in net interest income and changes in the net market values of assets and liabilities over certain changes in interest rate environments. These measurements are made through a simulation model which projects the impact of changes in interest rates on the Bank's assets and liabilities. The policy also outlines responsibility for monitoring interest rate risk, and the process for the approval, implementation and monitoring of interest rate risk strategies to achieve the Bank's interest rate risk objectives.

The ALCO Committee is comprised of senior officers of Ameris and two outside members of the Company's Board of Directors. The ALCO Committee makes all strategic decisions with respect to the sources and uses of funds that may affect net interest income, including net interest spread and net interest margin. The objective of the ALCO Committee is to identify the interest rate, liquidity and market value risks of the Company's balance sheet and use reasonable methods approved by the Company's board and executive management to minimize those identified risks.

The normal course of business activity exposes the Company to interest rate risk. Interest rate risk is managed within an overall asset and liability framework for the Company. The principal objectives of asset and liability management are to predict the sensitivity of net interest spreads to potential changes in interest rates, control risk and enhance profitability. Funding positions are kept within predetermined limits designed to properly manage risk and liquidity. The Company employs sensitivity analysis in the form of a net interest income simulation to help characterize the market risk arising from changes in interest rates. In addition, fluctuations in interest rates usually result in changes in the fair market value of the Company's financial instruments, cash flows and net interest income. The Company's interest rate risk position is managed by the ALCO Committee.

The Company uses a simulation modeling process to measure interest rate risk and evaluate potential strategies. Interest rate scenario models are prepared using software created and licensed from an outside vendor. The Company's simulation includes all financial assets and liabilities. Simulation results quantify interest rate risk under various interest rate scenarios. Management then develops and implements appropriate strategies. The ALCO Committee has determined that an acceptable level of interest rate risk would be for net interest income to decrease no more than 5.00% given a change in selected interest rates of 200 basis points over any 24-month period.

Liquidity management involves the matching of the cash flow requirements of customers, who may be either depositors desiring to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs, and the ability of Ameris to manage those requirements. The Company strives to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets and interest-bearing liabilities so that the balance it has in short-term investments at any given time will adequately cover any reasonably anticipated immediate need for funds. Additionally, the Bank maintains relationships with correspondent banks, which could provide funds on short notice, if needed. The Company has invested in FHLB stock for the purpose of establishing credit lines with the FHLB. The credit availability to the Bank is equal to 20% of the Bank's total assets as reported on the most recent quarterly financial information submitted to the regulators subject to the pledging of sufficient collateral. There were no outstanding borrowings with the Company's correspondent banks at March 31, 2013 and December 31, 2012. At March 31, 2012, there were \$3.8 million outstanding borrowings with the Company's correspondent banks.

The following liquidity ratios compare certain assets and liabilities to total deposits or total assets:

	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Investment securities available for sale to total deposits	13.01%	13.22%	13.99%	14.42%	13.95%
Loans (net of unearned income) to total deposits ⁽¹⁾	59.95%	55.27%	55.81%	53.66%	49.67%
Interest-earning assets to total assets	83.90%	84.39%	82.83%	84.41%	84.06%
Interest-bearing deposits to total deposits	80.28%	80.54%	82.00%	83.14%	83.32%

(1) Loans exclude covered assets where appropriate

The liquidity resources of the Company are monitored continuously by the ALCO Committee and on a periodic basis by state and federal regulatory authorities. As determined under guidelines established by these regulatory authorities, the Company's and the Bank's liquidity ratios at March 31, 2013 were considered satisfactory. The Company is aware of no events or trends likely to result in a material change in liquidity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed only to U.S. dollar interest rate changes, and, accordingly, the Company manages exposure by considering the possible changes in the net interest margin. The Company does not have any trading instruments nor does it classify any portion of the investment portfolio as held for trading. The Company's hedging activities are limited to cash flow hedges and are part of the Company's program to manage interest rate sensitivity. At March 31, 2013, the Company had one effective LIBOR rate swap with a notional amount of \$37.1 million. The LIBOR rate swap exchanges fixed rate payments of 4.15% for floating rate payments based on the three month LIBOR and matures December 2018. The Company also had forward contracts with a fair value of approximately \$1.6 million at March 31, 2013 to hedge changes in the value of the mortgage inventory due to changes in market interest rates. Finally, the Company has no exposure to foreign currency exchange rate risk, commodity price risk and other market risks.

Interest rates play a major part in the net interest income of a financial institution. The sensitivity to rate changes is known as interest rate risk. The repricing of interest-earning assets and interest-bearing liabilities can influence the changes in net interest income. As part of the Company's asset/liability management program, the timing of repriced assets and liabilities is referred to as Gap management.

The Company uses simulation analysis to monitor changes in net interest income due to changes in market interest rates. The simulation of rising, declining and flat interest rate scenarios allows management to monitor and adjust interest rate sensitivity to minimize the impact of market interest rate swings. The analysis of the impact on net interest income over a twelve-month period is subjected to a gradual 200 basis point increase or decrease in market rates on net interest income and is monitored on a quarterly basis.

Additional information required by Item 305 of Regulation S-K is set forth under Part I, Item 2 of this report.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act, as of the end of the period covered by this report, as required by paragraph (b) of Rules 13a-15 or 15d-15 of the Exchange Act. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective.

During the quarter ended March 31, 2013, there was no change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Nothing to report with respect to the period covered by this report.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. of Part 1 in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits required to be furnished with this report are listed on the exhibit index attached hereto.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 10, 2013

AMERIS BANCORP

/s/ Dennis J. Zember Jr.
Dennis J. Zember Jr.,
Executive Vice President and Chief Financial Officer
(duly authorized signatory and principal accounting and financial officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Incorporation of Ameris Bancorp, as amended (incorporated by reference to Exhibit 2.1 to Ameris Bancorp's Regulation A Offering Statement on Form 1-A filed with the Commission on August 14, 1987).
3.2	Amendment to Amended Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1.1 to Ameris Bancorp's Form 10-K filed with the Commission on March 28, 1996).
3.3	Amendment to Amended Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 4.3 to Ameris Bancorp's Registration Statement on Form S-4 filed with the Commission on July 17, 1996).
3.4	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.5 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 25, 1998).
3.5	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.7 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 26, 1999).
3.6	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.9 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 31, 2003).
3.7	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 1, 2005).
3.8	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on November 21, 2008).
3.9	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on June 1, 2011).
3.10	Amended and Restated Bylaws of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on March 14, 2005).
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer
32.1	Section 1350 Certification by the Company's Chief Executive Officer
32.2	Section 1350 Certification by the Company's Chief Financial Officer
101	The following financial statements from Ameris Bancorp's Form 10-Q for the quarter ended March 31, 2013, formatted as interactive data files in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Earnings and Comprehensive Income; (iii) Consolidated Statements of Changes in Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements. ⁽¹⁾

⁽¹⁾ Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not to be filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.