

Ameris Bancorp
Form 10-Q
August 08, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

Commission File Number: 001-13901

AMERIS BANCORP

(Exact name of registrant as specified in its charter)

GEORGIA **58-1456434**
(State of incorporation) **(IRS Employer ID No.)**
310 FIRST STREET, S.E., MOULTRIE, GA 31768

(Address of principal executive offices)

(229) 890-1111

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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

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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 a smaller reporting company) Smaller reporting company

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

There were 26,738,438 shares of Common Stock outstanding as of July 30, 2014.

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AMERIS BANCORP

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Table of Contents**Item 1. Financial Statements.****AMERIS BANCORP AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(amounts in thousands, except per share data)

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)	June 30, 2013 (Unaudited)
Assets			
Cash and due from banks	\$ 80,986	\$ 62,955	\$ 50,343
Federal funds sold and interest-bearing accounts	44,800	204,984	43,904
Investment securities available for sale, at fair value	535,630	486,235	316,168
Other investments	10,971	16,828	7,764
Mortgage loans held for sale	81,491	67,278	62,580
Loans, net of unearned income	1,770,059	1,618,454	1,555,827
Purchased loans not covered by FDIC loss share agreements (purchased non-covered loans)	702,131	448,753	
Purchased loans covered by FDIC loss share agreements (covered loans)	331,250	390,237	443,517
Less: allowance for loan losses related to non-purchased loans	(22,254)	(22,377)	(24,217)
Loans, net	2,781,186	2,435,067	1,975,127
Other real estate owned, net	35,373	33,351	39,885
Purchased, non-covered other real estate owned, net	16,598	4,276	
Covered other real estate owned, net	38,426	45,893	62,178
Total other real estate owned, net	90,397	83,520	102,063
Premises and equipment, net	99,495	103,188	70,167
FDIC loss-share receivable	49,180	65,441	105,513
Other intangible assets, net	9,812	6,009	2,318
Goodwill	58,903	35,049	956
Cash value of bank owned life insurance	57,864	49,432	47,495
Other assets	72,420	51,663	24,277
Total assets	\$ 3,973,135	\$ 3,667,649	\$ 2,808,675
Liabilities and Stockholders Equity			
Liabilities			
Deposits:			
Noninterest-bearing	\$ 790,798	\$ 668,531	\$ 475,445

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Interest-bearing	2,598,237	2,330,700	1,967,658
Total deposits	3,389,035	2,999,231	2,443,103
Securities sold under agreements to repurchase	51,109	83,516	19,142
Other borrowings	100,293	194,572	
Other liabilities	24,457	18,165	16,384
Subordinated deferrable interest debentures	64,842	55,466	42,269
Total liabilities	3,629,736	3,350,950	2,520,898
Stockholders Equity			
Preferred stock, stated value \$1,000; 5,000,000 shares authorized; 0, 28,000 and 28,000 shares issued and outstanding		28,000	27,845
Common stock, par value \$1; 100,000,000 shares authorized; 28,155,317; 26,461,769 and 25,257,669 issued	28,155	26,462	25,258
Capital surplus	223,888	189,722	165,484
Retained earnings	98,847	83,991	76,790
Accumulated other comprehensive income (loss)	4,123	(294)	3,582
Treasury stock, at cost, 1,383,496; 1,363,342 and 1,363,342 shares	(11,614)	(11,182)	(11,182)
Total stockholders equity	343,399	316,699	287,777
Total liabilities and stockholders equity	\$ 3,973,135	\$ 3,667,649	\$ 2,808,675

See notes to unaudited consolidated financial statements.

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(amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest income				
Interest and fees on loans	\$ 35,297	\$ 29,859	\$ 69,766	\$ 58,575
Interest on taxable securities	2,953	1,719	5,938	3,416
Interest on nontaxable securities	312	344	647	719
Interest on deposits in other banks and federal funds sold	45	29	129	114
Total interest income	38,607	31,951	76,480	62,824
Interest expense				
Interest on deposits	2,205	2,083	4,388	4,309
Interest on other borrowings	1,138	392	2,344	701
Total interest expense	3,343	2,475	6,732	5,010
Net interest income	35,264	29,476	69,748	57,814
Provision for loan losses	1,365	4,165	3,091	7,088
Net interest income after provision for loan losses	33,899	25,311	66,657	50,726
Noninterest income				
Service charges on deposit accounts	5,847	4,695	11,433	9,532
Mortgage banking activity	7,002	5,001	12,166	9,465
Other service charges, commissions and fees	662	617	1,314	946
Gain (loss) on sale of securities		(1)	6	171
Other noninterest income	2,308	1,072	3,654	2,630
Total noninterest income	15,819	11,384	28,573	22,744
Noninterest expense				
Salaries and employee benefits	16,942	13,381	34,336	27,187
Occupancy and equipment	4,071	2,978	8,135	5,909
Advertising and marketing expenses	718	327	1,428	582
Amortization of intangible assets	437	358	970	722
Data processing and telecommunications expenses	3,940	2,836	7,394	5,406

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Other noninterest expenses	11,210	6,808	18,294	15,766
Total noninterest expense	37,318	26,688	70,557	55,572
Income before income tax expense	12,400	10,007	24,673	17,898
Income tax expense	4,270	3,329	8,193	5,935
Net income	8,130	6,678	16,480	11,963
Less preferred stock dividends and discount accretion		442	286	883
Net income available to common shareholders	\$ 8,130	\$ 6,236	\$ 16,194	\$ 11,080
Other comprehensive income (loss)				
Unrealized holding gain (loss) arising during period on investment securities available for sale, net of tax	2,121	(3,689)	5,059	(4,118)
Reclassification adjustment for losses (gains) included in earnings, net of tax		1	(4)	(111)
Unrealized gain (loss) on cash flow hedges arising during period, net of tax	(372)	995	(638)	1,204
Other comprehensive income (loss)	1,749	(2,693)	4,417	(3,025)
Total comprehensive income	\$ 9,879	\$ 3,985	\$ 20,897	\$ 8,938
Basic earnings per common share	\$ 0.32	\$ 0.26	\$ 0.64	\$ 0.46
Diluted earnings per common share	\$ 0.32	\$ 0.26	\$ 0.63	\$ 0.46
Dividends declared per common share	\$ 0.05	\$	\$ 0.05	\$
Weighted average common shares outstanding				
Basic	25,181	23,879	25,163	23,873
Diluted	25,572	24,288	25,552	24,282

See notes to unaudited consolidated financial statements.

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AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(amounts in thousands, except per share data)

(Unaudited)

	Six Months Ended June 30, 2014		Six Months Ended June 30, 2013	
	Shares	Amount	Shares	Amount
PREFERRED STOCK				
Issued at beginning of period	28,000	\$ 28,000	28,000	\$ 27,662
Repurchase of preferred stock	(28,000)	(28,000)		183
Accretion of fair value of warrant				183
<i>Issued at end of period</i>		\$	28,000	\$ 27,845
COMMON STOCK				
Issued at beginning of period	26,461,769	\$ 26,462	25,154,818	\$ 25,155
Issuance of restricted shares	68,047	68	83,400	83
Issuance of common stock	1,598,987	1,599		
Cancellation of restricted shares			(1,000)	(1)
Proceeds from exercise of stock options	26,514	26	20,451	21
<i>Issued at end of period</i>	28,155,317	\$ 28,155	25,257,669	\$ 25,258
CAPITAL SURPLUS				
Balance at beginning of period		\$ 189,722		\$ 164,949
Stock-based compensation		1,012		395
Issuance of common stock		32,875		
Proceeds from exercise of stock options		347		222
Issuance of restricted shares		(68)		(83)
Cancellation of restricted shares				1
<i>Balance at end of period</i>		\$ 223,888		\$ 165,484
RETAINED EARNINGS				
Balance at beginning of period		\$ 83,991		\$ 65,710
Net income		16,480		11,963
Cash dividends declared, \$0.05 per share		(1,338)		
Dividends on preferred shares		(286)		(700)
Accretion of fair value of warrant				(183)
<i>Balance at end of period</i>		\$ 98,847		\$ 76,790
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX				

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Unrealized gains on securities and derivatives:			
Balance at beginning of period		\$ (294)	\$ 6,607
Other comprehensive income (loss)		4,417	(3,025)
<i>Balance at end of period</i>		\$ 4,123	\$ 3,582
TREASURY STOCK			
Balance at beginning of period	(1,363,342)	\$ (11,182)	(1,355,050) \$ (11,066)
Purchase of treasury shares	(20,154)	(432)	(8,292) (116)
<i>Balance at end of period</i>	(1,383,496)	\$ (11,614)	(1,363,342) \$ (11,182)
<i>TOTAL STOCKHOLDERS EQUITY</i>		\$ 343,399	\$ 287,777

See notes to unaudited consolidated financial statements.

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AMERIS BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 16,480	\$ 11,963
Adjustments reconciling net income to net cash provided by operating activities:		
Depreciation	3,709	2,468
Stock based compensation expense	1,012	395
Net (gains)/losses on sale or disposal of premises and equipment	1	(221)
Net losses or write-downs on sale of other real estate owned	1,985	3,599
Provision for loan losses	3,091	7,088
Accretion of covered loans	(15,432)	(25,841)
Accretion of purchased non-covered loans	(3,153)	
Accretion of FDIC loss-share receivable, net of amortization of FDIC clawback payable	5,685	8,607
Increase in cash surrender value of BOLI	(620)	(565)
Amortization of intangible assets	970	722
Net amortization of investment securities available for sale	1,525	1,785
Net change in mortgage loans held for sale	(6,925)	(13,794)
Net gains on securities available for sale	(6)	(171)
Change attributable to other operating activities	7,585	12,210
Net cash provided by operating activities	15,907	8,245
Cash flows from investing activities, net of effect of business combinations:		
Net increase in federal funds sold and interest-bearing deposits	176,107	149,773
Proceeds from maturities of securities available for sale	22,493	32,072
Purchase of securities available for sale	(68,632)	(41,722)
Proceeds from sales of securities available for sale	69,768	31,340
Purchase of bank owned life insurance		(30,000)
Net increase in loans, excluding purchased non-covered and covered loans	(160,626)	(116,430)
Payments received on purchased non-covered loans	27,791	
Payments received on covered loans	64,743	65,971
Payments received from FDIC under loss share agreements	10,576	45,604
Proceeds from sales of other real estate owned	17,420	38,534
Decrease in restricted equity securities, net	6,832	
Proceeds from sales of premises and equipment	56	1,928
Purchases of premises and equipment	(2,223)	(2,117)

Net cash proceeds received from acquisitions	1,099	
Net cash provided by investing activities	165,404	174,953
Cash flows from financing activities, net of effect of business combinations:		
Net increase/(decrease) in deposits	20,780	(181,560)
Net decrease in securities sold under agreements to repurchase	(37,835)	(30,978)
Repayment of other borrowings	(174,005)	
Proceeds from other borrowings	57,463	
Redemption of preferred stock	(28,000)	
Dividends paid - preferred stock	(286)	(700)
Dividends paid - common stock	(1,338)	
Purchase of treasury shares	(432)	(116)
Proceeds from exercise of stock options	373	243
Net cash used in financing activities	(163,280)	(213,111)
Net increase (decrease) in cash and due from banks	18,031	(29,913)
Cash and due from banks at beginning of period	62,955	80,256
Cash and due from banks at end of period	\$ 80,986	\$ 50,343

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	Six Months Ended June 30,	
	2014	2013
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid/(received) during the period for:		
Interest	\$ 6,740	\$ 5,371
Income taxes	\$ 5,583	\$ 8,356
Loans (excluding purchased non-covered and covered loans) transferred to other real estate owned	\$ 6,400	\$ 5,564
Purchased non-covered loans transferred to other real estate owned	\$ 1,425	\$
Covered loans transferred to other real estate owned	\$ 9,083	\$ 23,275
Issuance of common stock in acquisitions	\$ 34,474	\$
See notes to unaudited consolidated financial statements.		

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AMERIS BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

(Unaudited)

NOTE 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Ameris Bancorp (the Company or Ameris) is a financial holding company headquartered in Moultrie, Georgia. Ameris conducts substantially all of its operations through its wholly-owned banking subsidiary, Ameris Bank (the Bank). At June 30, 2014, the Bank operated 74 branches in select markets in Georgia, Alabama, Florida and South Carolina. Our business model capitalizes on the efficiencies of a large financial services company while still providing the community with the personalized banking service expected by our customers. We manage our Bank through a balance of decentralized management responsibilities and efficient centralized operating systems, products and loan underwriting standards. The Company's Board of Directors and senior managers establish corporate policy, strategy and administrative policies. Within the Company's established guidelines and policies, the banker closest to the customer responds to the differing needs and demands of their his or her 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 June 30, 2014 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, 2013.

Newly Issued Accounting Pronouncements

ASU 2014-09 *Revenue from Contracts with Customers* (ASU 2014-09). ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective prospectively, for annual and interim periods, beginning after December 15, 2016. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2014-04 *Receivables - Troubled Debt Restructurings by Creditors* (ASU 2014-04). ASU 2014-04 clarifies when a creditor should reclassify mortgage loans collateralized by residential real estate from loans to other real estate owned. It defines when an in-substance repossession or foreclosure has occurred and when a creditor is considered to have received physical possession of residential real estate collateralizing a mortgage loan. ASU 2014-04 is effective for fiscal years beginning after December 31, 2014, and early adoption is permitted. It can be applied either prospectively or using a modified retrospective transition method. The Company is evaluating the impact this standard may have on the

Company's results of operations, financial position or disclosures.

ASU 2013-11 - *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). ASU 2013-11 requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. However, if a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of these revisions did not have a material impact on the Company's results of operations, financial position or disclosures.

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On June 30, 2014, the Company completed its acquisition of The Coastal Bankshares, Inc. (Coastal), a bank holding company headquartered in Savannah, Georgia. Upon consummation of the acquisition, Coastal was merged with and into the Company, with Ameris as the surviving entity in the merger. At that time, Coastal's wholly owned banking subsidiary, The Coastal Bank, was also merged with and into the Bank. The acquisition grew the Company's existing market presence, as Coastal Bank had a total of six banking locations in Chatham, Liberty and Effingham Counties, Georgia. Coastal's common shareholders received 0.4671 of a share of the Company's common stock in exchange for each share of Coastal's common stock. As a result, the Company issued 1,598,987 common shares at a fair value of \$34.5 million and paid \$2.8 million cash in exchange for outstanding warrants.

The acquisition of Coastal was accounted for using the purchase method of accounting in accordance with FASB ASC 805, *Business Combinations*. Assets acquired, liabilities assumed and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. Management continues to evaluate fair value adjustments related to loans, other real estate owned and deferred tax assets. Management is in the process of estimating the deferred tax assets resulting from differences in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for income tax purposes. This estimate will also reflect acquired net operating loss carryforwards and other acquired assets with built-in losses that are expected to be settled or otherwise recovered in future periods where the realization of such benefits would be subject to section 382 limitations. Accordingly, as of the date of acquisition, the Company has not established a deferred tax asset, as management is still performing its assessment of the realization of the benefits from the settlement or recovery of certain of these acquired assets and net operating losses are expected to be subject to section 382 limitations.

The following table presents the assets acquired and liabilities of Coastal assumed as of June 30, 2014 and their initial fair value estimates. The fair value adjustments shown in the following table continue to be evaluated by management and may be subject to further adjustment:

(Dollars in Thousands)	As Recorded by Coastal	Fair Value Adjustments	As Recorded by Ameris
Assets			
Cash and cash equivalents	\$ 3,895	\$	\$ 3,895
Federal funds sold and interest-bearing balances	15,923		15,923
Investment securities	67,266	(500)(a)	66,766
Other investments	975		975
Mortgage loans held for sale	7,288		7,288
Loans	296,141	(16,700)(b)	279,441
Less allowance for loan losses	(3,218)	3,218(c)	
Loans, net	292,923	(13,482)	279,441
Other real estate owned	14,992	(3,528)(d)	11,464
Premises and equipment	11,882		11,882
Intangible assets	507	4,266(e)	4,773

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Other assets	22,710		22,710
Total assets	\$ 438,361	\$ (13,244)	\$ 425,117
Liabilities			
Deposits:			
Noninterest-bearing	\$ 80,012	\$	\$ 80,012
Interest-bearing	289,012		289,012
Total deposits	369,024		369,024
Federal funds purchased and securities sold under agreements to repurchase	5,428		5,428
Other borrowings	22,005		22,005
Other liabilities	6,192		6,192
Subordinated deferrable interest debentures	15,465	(6,413)(f)	9,052
Total liabilities	418,114	(6,413)	411,701
Net identifiable assets acquired over (under) liabilities assumed	20,247	(6,831)	13,416
Goodwill		23,854	23,854
Net assets acquired over (under) liabilities assumed	\$ 20,247	\$ 17,023	\$ 37,270
Consideration:			
Ameris Bancorp common shares issued	1,598,987		
Purchase price per share of the Company's common stock	\$ 21.56		
Company common stock issued	34,474		
Cash exchanged for shares	2,796		
Fair value of total consideration transferred	\$ 37,270		

Explanation of fair value adjustments

(a) Adjustment reflects the fair value adjustments of the available for sale portfolio as of the acquisition date.

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

On December 23, 2013, the Company completed its acquisition of The Prosperity Banking Company (Prosperity), a bank holding company headquartered in Saint Augustine, Florida. Upon consummation of the acquisition, Prosperity was merged with and into the Company, with Ameris as the surviving entity in the merger. At that time, Prosperity's wholly owned banking subsidiary, Prosperity Bank, was also merged with and into the Bank. Prosperity Bank had a total of 12 banking locations, with the majority of the franchise concentrated in northeast Florida. Prosperity's common shareholders were entitled to elect to receive either 3.125 shares of the Company's common stock or \$41.50 in cash in exchange for each share of Prosperity's voting common stock. As a result of Prosperity shareholders' elections, the Company issued 1,168,918 common shares at a fair value of \$24.6 million.

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

The following table presents the assets acquired and liabilities of Prosperity assumed as of December 23, 2013 and their initial fair value estimates:

(Dollars in Thousands)	As Recorded by Prosperity	Fair Value Adjustments	As Recorded by Ameris
Assets			
Cash and cash equivalents	\$ 4,285	\$	\$ 4,285
Federal funds sold and interest-bearing balances	21,687		21,687
Investment securities	151,863	411(a)	152,274
Other investments	8,727		8,727
Loans	487,358	(37,662)(b)	449,696
Less allowance for loan losses	(6,811)	6,811(c)	
Loans, net	480,547	(30,851)	449,696
Other real estate owned	6,883	(1,260)(d)	5,623
Premises and equipment	36,293		36,293
Intangible assets	174	4,383(e)	4,557
Other assets	26,600	1,192(f)	27,792
Total assets	\$ 737,059	\$ (26,125)	\$ 710,934
Liabilities			
Deposits:			

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Noninterest-bearing	\$	149,242	\$	\$	149,242	
Interest-bearing		324,441			324,441	
Total deposits		473,683			473,683	
Federal funds purchased and securities sold under agreements to repurchase		21,530			21,530	
Other borrowings		185,000	12,313(g)		197,313	
Other liabilities		14,058	455(h)		14,513	
Subordinated deferrable interest debentures		29,500	(16,303)(i)		13,197	
Total liabilities		723,771	(3,535)		720,236	
Net identifiable assets acquired over (under) liabilities assumed		13,288	(22,590)		(9,302)	
Goodwill			34,093		34,093	
Net assets acquired over (under) liabilities assumed	\$	13,288	\$	11,503	\$	24,791
Consideration:						
Ameris Bancorp common shares issued		1,168,918				
Purchase price per share of the Company's common stock	\$	21.07				
Company common stock issued		24,629				
Cash exchanged for shares		162				
Fair value of total consideration transferred	\$	24,791				

Table of Contents*Explanation of fair value adjustments*

- (a) Adjustment reflects the fair value adjustments of the available for sale portfolio as of the acquisition date.
- (b) Adjustment reflects the fair value adjustments based on the Company's evaluation of the acquired loan portfolio.
- (c) Adjustment reflects the elimination of Prosperity's allowance for loan losses.
- (d) Adjustment reflects the fair value adjustment based on the Company's evaluation of the acquired OREO portfolio.
- (e) Adjustment reflects the recording of core deposit intangible on the acquired core deposit accounts.
- (f) Adjustment reflects the adjustment to write-off the non-realizable portion of Prosperity's deferred tax asset of (\$6.644 million), to record the deferred tax asset generated by purchase accounting adjustments of \$8.435 million and to record the fair value adjustment of other assets of (\$0.599 million) at the acquisition date.
- (g) Adjustment reflects the fair value adjustment (premium) to the FHLB borrowings of \$12.741 million and the fair value adjustment to the subordinated debt of \$0.428 million.
- (h) Adjustment reflects the fair value adjustment of other liabilities at the acquisition date.
- (i) Adjustment reflects the fair value adjustment to the subordinated deferrable interest debentures at the acquisition date.

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 carrying value. The adjustments are performed on a loan-by-loan basis. No adjustments have been made for the six months ended June 30, 2014, the year ended December 31, 2013 and the six months ended June 30, 2013.

A rollforward of purchased non-covered loans with deterioration of credit quality for the six months ended June 30, 2014, the year ended December 31, 2013 and the six months ended June 30, 2013 is shown below:

(Dollars in Thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Balance, January 1	\$ 67,165	\$	\$
Charge-offs, net of recoveries	(2,218)		
Additions due to acquisitions	29,280	67,165	
Other (loan payments, transfers, etc.)	(970)		
Ending balance	\$ 93,257	\$ 67,165	\$

A rollforward of purchased non-covered loans without deterioration of credit quality for the six months ended June 30, 2014, the year ended December 31, 2013 and the six months ended June 30, 2013 is shown below:

(Dollars in Thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Balance, January 1	\$ 381,588	\$	\$

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Additions due to acquisitions	249,520	382,531	
Loan payments, transfers, etc.	(22,234)	(943)	
Ending balance	\$ 608,874	\$ 381,588	\$

The following is a summary of changes in the accretable discounts of purchased non-covered loans during the six months ended June 30, 2014, the year ended December 31, 2013 and the six months ended June 30, 2013:

(Dollars in Thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Balance, January 1	\$ 26,189	\$	\$
Additions due to acquisitions	7,799	26,189	
Accretion	(3,153)		
Other activity, net	1,486		
Ending balance	\$ 32,321	\$ 26,189	\$

Table of Contents**NOTE 3 INVESTMENT SECURITIES**

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

The amortized cost and estimated fair value of investment securities available for sale at June 30, 2014, December 31, 2013 and June 30, 2013 are presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(Dollars in Thousands)				
June 30, 2014:				
U. S. government agencies	\$ 14,950	\$	\$ (505)	\$ 14,445
State, county and municipal securities	143,507	3,136	(863)	145,780
Corporate debt securities	10,805	284	(131)	10,958
Mortgage-backed securities	361,194	5,435	(2,182)	364,447
Total securities	\$ 530,456	\$ 8,855	\$ (3,681)	\$ 535,630
December 31, 2013:				
U. S. government agencies	\$ 14,947	\$	\$ (1,021)	\$ 13,926
State, county and municipal securities	112,659	2,269	(2,174)	112,754
Corporate debt securities	10,311	275	(261)	10,325
Collateralized debt obligations	1,480			1,480
Mortgage-backed securities	349,441	2,347	(4,038)	347,750
Total securities	\$ 488,838	\$ 4,891	\$ (7,494)	\$ 486,235
June 30, 2013:				
U. S. government agencies	\$ 14,944	\$	\$ (609)	\$ 14,335
State, county and municipal securities	109,793	3,708	(742)	112,759
Corporate debt securities	10,543	311	(764)	10,090
Mortgage-backed securities	177,196	3,824	(2,036)	178,984
Total securities	\$ 312,476	\$ 7,843	\$ (4,151)	\$ 316,168

The amortized cost and fair value of available-for-sale securities at June 30, 2014 by contractual maturity are summarized in the table below. Expected maturities for mortgage-backed securities may differ from contractual maturities because in certain cases borrowers can prepay obligations without prepayment penalties. Therefore, these securities are not included in the following maturity summary:

	Amortized Cost	Fair Value
	(Dollars in Thousands)	
Due in one year or less	\$ 5,055	\$ 5,123
Due from one year to five years	41,290	42,911
Due from five to ten years	66,456	66,794
Due after ten years	56,461	56,355
Mortgage-backed securities	361,194	364,447
	\$ 530,456	\$ 535,630

Securities with a carrying value of approximately \$228.3 million serve as collateral to secure public deposits and for other purposes required or permitted by law at June 30, 2014, compared to \$399.0 million and \$224.5 million at December 31, 2013 and June 30, 2013, respectively.

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The following table details the gross unrealized losses and fair value of securities aggregated by category and duration of continuous unrealized loss position at June 30, 2014, December 31, 2013 and June 30, 2013.

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)						
June 30, 2014:						
U. S. government agencies	\$	\$	\$ 14,445	\$ (505)	\$ 14,445	\$ (505)
State, county and municipal securities	4,088	(35)	29,203	(828)	33,291	(863)
Corporate debt securities			4,945	(131)	4,945	(131)
Mortgage-backed securities	25,107	(65)	51,039	(2,117)	76,146	(2,182)
Total temporarily impaired securities	\$ 29,195	\$ (100)	\$ 99,632	\$ (3,581)	\$ 128,827	\$ (3,681)
December 31, 2013:						
U. S. government agencies	\$ 13,926	\$ (1,021)	\$	\$	\$ 13,926	\$ (1,021)
State, county and municipal securities	47,401	(1,882)	3,794	(292)	51,195	(2,174)
Corporate debt securities			4,826	(261)	4,826	(261)
Collateralized debt obligations						
Mortgage-backed securities	94,989	(2,493)	23,388	(1,545)	118,377	(4,038)
Total temporarily impaired securities	\$ 156,316	\$ (5,396)	\$ 32,008	\$ (2,098)	\$ 188,324	\$ (7,494)
June 30, 2013:						
U. S. government agencies	\$ 14,335	\$ (609)	\$	\$	\$ 14,335	\$ (609)
State, county and municipal securities	36,268	(726)	497	(16)	36,765	(742)
Corporate debt securities			4,333	(764)	4,333	(764)
Mortgage-backed securities	68,031	(2,036)	925		68,956	(2,036)
Total temporarily impaired securities	\$ 118,634	\$ (3,371)	\$ 5,755	\$ (780)	\$ 124,389	\$ (4,151)

Management and the Company's Asset and Liability Committee (the ALCO Committee) evaluate securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. While the majority of the unrealized losses on debt securities relate to changes in interest rates, corporate debt securities have also been affected by reduced levels of liquidity and higher risk premiums. Occasionally, management engages independent third parties to evaluate the Company's position in certain corporate debt securities to aid management and the ALCO Committee in its determination regarding the status of impairment. The Company believes that each investment poses minimal credit risk and further, that the Company does not intend to sell these investment securities at an unrealized loss position at June 30, 2014, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Therefore, at June 30, 2014, these investments are not considered impaired on an other-than-temporary basis.

At December 31, 2013 and 2012, all of the Company's mortgage-backed securities were obligations of government-sponsored agencies.

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The following table is a summary of sales activities in the Company's investment securities available for sale for the six months ended June 30, 2014, year ended December 31, 2013 and six months ended June 30, 2013:

	June 30, 2014	December 31, 2013	June 30, 2013
	(Dollars in Thousands)		
Gross gains on sales of securities	\$ 8	\$ 353	\$ 353
Gross losses on sales of securities	(2)	(182)	(182)
Net realized gains on sales of securities available for sale	\$ 6	\$ 171	\$ 171
Sales proceeds	\$ 69,768	\$ 36,669	\$ 31,340

Table of Contents**NOTE 4 LOANS**

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

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

Real estate loans include construction and development loans, commercial and farmland loans and residential loans. Construction and development loans include loans for the development of residential neighborhoods, 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, excluding purchased non-covered and covered loans:

(Dollars in Thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Commercial, financial and agricultural	\$ 304,588	\$ 244,373	\$ 208,424
Real estate construction and development	149,346	146,371	134,607
Real estate commercial and farmland	850,000	808,323	788,654
Real estate residential	422,731	366,882	357,685
Consumer installment	31,902	34,249	36,923
Other	11,492	18,256	29,534
	\$ 1,770,059	\$ 1,618,454	\$ 1,555,827

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Purchased non-covered loans are defined as loans that were acquired in bank acquisitions that are not covered by a loss-sharing agreement with the FDIC. Purchased non-covered loans totaling \$702.1 million and \$448.8 million at June 30, 2014 and December 31, 2013, respectively, are not included in the above schedule. There were no purchased non-covered loans at June 30, 2013.

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

(Dollars in Thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Commercial, financial and agricultural	\$ 41,583	\$ 32,141	\$
Real estate construction and development	64,084	31,176	
Real estate commercial and farmland	311,748	179,898	
Real estate residential	278,451	200,851	
Consumer installment	6,265	4,687	
	\$ 702,131	\$ 448,753	\$

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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 \$331.3 million, \$390.2 million and \$443.5 million at June 30, 2014, December 31, 2013 and June 30, 2013, 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)	June 30, 2014	December 31, 2013	June 30, 2013
Commercial, financial and agricultural	\$ 25,209	\$ 26,550	\$ 27,371
Real estate construction and development	31,600	43,179	52,972
Real estate commercial and farmland	188,643	224,451	255,102
Real estate residential	85,518	95,173	107,107
Consumer installment	280	884	965
	\$ 331,250	\$ 390,237	\$ 443,517

Nonaccrual and Past Due Loans

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

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

(Dollars in Thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Commercial, financial and agricultural	\$ 1,596	\$ 4,103	\$ 4,326
Real estate construction and development	3,452	3,971	5,448
Real estate commercial and farmland	8,831	8,566	8,963
Real estate residential	7,795	12,152	12,423
Consumer installment	437	411	651
	\$ 22,111	\$ 29,203	\$ 31,811

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

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(Dollars in Thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Commercial, financial and agricultural	\$ 143	\$ 11	\$
Real estate construction and development	2,273	325	
Real estate commercial and farmland	6,647	1,653	
Real estate residential	6,658	4,658	
Consumer installment	49	12	
	\$ 15,770	\$ 6,659	\$

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

(Dollars in Thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Commercial, financial and agricultural	\$ 12,254	\$ 7,257	\$ 8,729
Real estate construction and development	8,028	14,781	17,039
Real estate commercial and farmland	17,027	33,495	47,427
Real estate residential	8,702	13,278	15,459
Consumer installment	127	341	285
	\$ 46,138	\$ 69,152	\$ 88,939

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The following table presents an aging analysis of loans, excluding purchased non-covered and covered past due loans as of June 30, 2014, December 31, 2013 and June 30, 2013:

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

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
(Dollars in Thousands)							
As of December 31, 2013:							
Commercial, financial & agricultural	\$ 10,893	\$ 272	\$ 4,081	\$ 15,246	\$ 229,127	\$ 244,373	\$
Real estate construction & development	1,026	69	3,935	5,030	141,341	146,371	
Real estate commercial & farmland	3,981	1,388	7,751	13,120	795,203	808,323	
Real estate residential	5,422	1,735	11,587	18,744	348,138	366,882	
Consumer installment loans	568	197	305	1,070	33,179	34,249	
Other					18,256	18,256	
Total	\$ 21,890	\$ 3,661	\$ 27,659	\$ 53,210	\$ 1,565,244	\$ 1,618,454	\$

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	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
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(Dollars in Thousands)

As of June 30, 2013:

Commercial, financial & agricultural	\$ 1,449	\$ 502	\$ 4,013	\$ 5,964	\$ 202,460	\$ 208,424	\$
Real estate construction & development	1,638	104	5,418	7,160	127,447	134,607	
Real estate commercial & farmland	5,392	1,580	5,333	12,305	776,349	788,654	
Real estate residential	4,735	5,256	11,745	21,736	335,949	357,685	
Consumer installment loans	432	175	548	1,155	35,768	36,923	
Other					29,534	29,534	
Total	\$ 13,646	\$ 7,617	\$ 27,057	\$ 48,320	\$ 1,507,507	\$ 1,555,827	\$

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The following table presents an aging analysis of purchased non-covered past due loans based on the recorded basis as of June 30, 2014 and December 31, 2013. There were no purchased non-covered loans as of June 30, 2013:

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
(Dollars in Thousands)							
As of June 30, 2014:							
Commercial, financial & agricultural	\$ 137	\$ 26	\$ 143	\$ 306	\$ 41,277	\$ 41,583	\$
Real estate construction & development	712	168	2,165	3,045	61,039	64,084	
Real estate commercial & farmland	1,263	1,605	6,647	9,515	302,233	311,748	
Real estate residential	6,952	983	6,144	14,079	264,372	278,451	
Consumer installment loans	23	29	47	99	6,166	6,265	
Total	\$ 9,087	\$ 2,811	\$ 15,146	\$ 27,044	\$ 675,087	\$ 702,131	\$

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
(Dollars in Thousands)							
As of December 31, 2013:							
Commercial, financial & agricultural	\$ 370	\$ 70	\$ 11	\$ 451	\$ 31,690	\$ 32,141	\$
Real estate construction & development	1,008	89	325	1,422	29,754	31,176	
Real estate commercial & farmland	6,851	2,064	1,516	10,431	169,467	179,898	
Real estate residential	4,667	1,074	3,428	9,169	191,682	200,851	
Consumer installment loans	7	17	9	33	4,654	4,687	