AMKOR TECHNOLOGY INC
Form 4
May 13, 2014

# FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
| Expires: | January 31, 2005 |
| Estimated average burden hours per response... | 0.5 |

(Print or Type Responses)

1. Name and Address of Reporting Person *
CHURCHILL WINSTON J

(Last) (First) (Middle)

1200 LIBERTY RIDGE DRIVE, SUITE 300

(Street)

WAYNE, PA 19087

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
AMKOR TECHNOLOGY INC [AMKR]

3. Date of Earliest Transaction (Month/Day/Year)
05/13/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative | 2. Conversion | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if | 4. Transaction | 5. Number of Derivative | 6. Date Exercisable and Expiration Date | 7. Title and Amount of Underlying Securities |
|---|---|---|---|---|---|---|---|

| Security (Instr. 3) | or Exercise Price of Derivative Security | | any (Month/Day/Year) | Code (Instr. 8) | | Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | (Month/Day/Year) | | (Instr. 3 and 4) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amo or Nun of S |
| Director Stock Option (Right to Buy) | $ 9.17 | 05/13/2014 | | A | | 20,000 | | 05/13/2015(1) | 05/13/2024 | Amkor Technology, Inc. Common Stock | 20, |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| CHURCHILL WINSTON J<br>1200 LIBERTY RIDGE DRIVE<br>SUITE 300<br>WAYNE, PA 19087 | X | | | |

# Signatures

| | |
|---|---|
| Jerry C. Allison, Attorney-in-Fact for Winston J. Churchill | 05/13/2014 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** These options vest over three years: 1/3 of the option shares become exercisable on each of the first three anniversaries of the grant date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. _11">Unregistered Sales of Equity Securities and Use of Proceeds 65 **Item 3.** Defaults Upon Senior Securities 65 **Item 4.** Mine Safety Disclosures 65 **Item 5.** Other Information 65 **Item 6.** Exhibits 65

Signatures

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**Item 1. Financial Statements**

**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(Dollars in Thousands)**

| | March 31, 2014 (Unaudited) | December 31, 2013 (Audited) | March 31, 2013 (Unaudited) |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | $ 71,387 | $ 62,955 | $ 50,487 |
| Federal funds sold and interest-bearing accounts | 48,677 | 204,984 | 81,205 |
| Investment securities available for sale, at fair value | 456,713 | 486,235 | 324,029 |
| Other investments | 9,322 | 16,828 | 5,528 |
| Mortgage loans held for sale | 51,693 | 67,278 | 42,332 |
| Loans, net of unearned income | 1,695,382 | 1,618,454 | 1,492,753 |
| Purchased loans not covered by FDIC loss share agreements ( purchased non-covered loans ) | 437,269 | 448,753 | |
| Purchased loans covered by FDIC loss share agreements ( covered loans ) | 372,694 | 390,237 | 460,724 |
| Less: allowance for loan losses | 22,744 | 22,377 | 23,382 |
| Loans, net | 2,482,601 | 2,435,067 | 1,930,095 |
| Other real estate owned | 33,839 | 33,351 | 40,434 |
| Purchased, non-covered other real estate owned | 3,864 | 4,276 | |
| Covered other real estate owned | 42,636 | 45,893 | 77,915 |
| Total other real estate owned | 80,339 | 83,520 | 118,349 |
| Premises and equipment, net | 87,430 | 103,188 | 72,340 |
| FDIC loss-share receivable | 53,181 | 65,441 | 160,979 |
| Intangible assets | 5,477 | 6,009 | 2,676 |
| Goodwill | 35,049 | 35,049 | 956 |
| Cash value of bank owned life insurance | 49,738 | 49,432 | 45,832 |
| Other assets | 56,377 | 51,663 | 26,843 |
| Total assets | $ 3,487,984 | $ 3,667,649 | $ 2,861,651 |
| **Liabilities and Stockholders Equity** | | | |
| Liabilities | | | |
| Deposits: | | | |
| Noninterest-bearing | $ 698,866 | $ 668,531 | $ 490,961 |
| Interest-bearing | 2,311,781 | 2,330,700 | 1,999,012 |

| | | | |
|---|---|---|---|
| Total deposits | 3,010,647 | 2,999,231 | 2,489,973 |
| Securities sold under agreements to repurchase | 49,974 | 83,516 | 22,919 |
| Other borrowings | 59,677 | 194,572 | |
| Other liabilities | 12,028 | 18,165 | 22,768 |
| Subordinated deferrable interest debentures | 55,628 | 55,466 | 42,269 |
| Total liabilities | 3,187,954 | 3,350,950 | 2,577,929 |
| Commitments and contingencies | | | |
| **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 | 27,753 |
| Common stock, par value $1; 100,000,000 shares authorized; 26,535,571, 26,461,769 and 25,238,635 shares issued | 26,536 | 26,462 | 25,239 |
| Capital surplus | 190,513 | 189,722 | 165,078 |
| Retained earnings | 92,055 | 83,991 | 70,554 |
| Accumulated other comprehensive income (loss) | 2,374 | (294) | 6,274 |
| Treasury stock, at cost, 1,376,498, 1,363,342 and 1,362,955 shares | (11,448) | (11,182) | (11,176) |
| Total stockholders equity | 300,030 | 316,699 | 283,722 |
| Total liabilities and stockholders equity | $ 3,487,984 | $ 3,667,649 | $ 2,861,651 |

**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, | |
|---|---|---|
| | **2014** | **2013** |
| **Interest income** | | |
| Interest and fees on loans | $ 34,469 | $ 28,716 |
| Interest on taxable securities | 2,985 | 1,697 |
| Interest on nontaxable securities | 335 | 375 |
| Interest on deposits in other banks | 79 | 85 |
| Interest on federal funds sold | 5 | |
| Total interest income | 37,873 | 30,873 |
| **Interest expense** | | |
| Interest on deposits | 2,183 | 2,226 |
| Interest on other borrowings | 1,206 | 309 |
| Total interest expense | 3,389 | 2,535 |
| Net interest income | 34,484 | 28,338 |
| **Provision for loan losses** | 1,726 | 2,923 |
| Net interest income after provision for loan losses | 32,758 | 25,415 |
| **Noninterest income** | | |
| Service charges on deposit accounts | 5,586 | 4,837 |
| Mortgage origination fees | 5,068 | 4,464 |
| Other service charges, commissions and fees | 652 | 329 |
| Gain on sale of securities | 6 | 172 |
| Other | 1,442 | 1,558 |
| Total noninterest income | 12,754 | 11,360 |
| **Noninterest expense** | | |
| Salaries and employee benefits | 17,394 | 13,806 |
| Occupancy and equipment expense | 4,064 | 2,931 |
| Advertising and marketing expense | 710 | 255 |
| Amortization of intangible assets | 533 | 364 |

| | | |
|---|---|---|
| Data processing and communications costs | 3,454 | 2,570 |
| Other operating expenses | 7,084 | 8,958 |
| Total noninterest expense | 33,239 | 28,884 |
| Income before income tax expense | 12,273 | 7,891 |
| Applicable income tax expense | 3,923 | 2,606 |
| **Net income** | 8,350 | 5,285 |
| Preferred stock dividends | 286 | 441 |
| **Net income available to common stockholders** | 8,064 | 4,844 |
| **Other comprehensive income (loss)** | | |
| Unrealized holding gains (losses) arising during period on investment securities available for sale, net of tax | 2,938 | (429) |
| Reclassification adjustment for gains included in net income, net of tax | (4) | (112) |
| Unrealized gain (loss) on cash flow hedges arising during period , net of tax | (266) | 209 |
| **Other comprehensive income (loss)** | 2,668 | (332) |
| **Comprehensive income** | $ 11,018 | $ 4,953 |
| **Basic and diluted earnings per share** | $ 0.32 | $ 0.20 |
| **Weighted average common shares outstanding** | | |
| Basic | 25,144 | 23,868 |
| Diluted | 25,573 | 24,246 |

**See notes to unaudited consolidated financial statements**

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**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

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

**(Unaudited)**

| | Three Months Ended March 31, 2014 | | Three Months Ended March 31, 2013 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | **Shares** | **Amount** |
| **PREFERRED STOCK** | | | | |
| Balance at beginning of period | 28,000 | $ 28,000 | 28,000 | $ 27,662 |
| Repurchase of preferred stock | (28,000) | (28,000) | | |
| Accretion of fair value of warrant | | | | 91 |
| ***Balance at end of period*** | | **$** | **28,000** | **$ 27,753** |
| **COMMON STOCK** | | | | |
| Balance at beginning of period | 26,461,769 | $ 26,462 | 25,154,818 | $ 25,155 |
| Issuance of restricted shares | 68,047 | 68 | 81,400 | 81 |
| Proceeds from exercise of stock options | 5,755 | 6 | 2,417 | 3 |
| ***Balance at end of period*** | **26,535,571** | **$ 26,536** | **25,238,635** | **$ 25,239** |
| **CAPITAL SURPLUS** | | | | |
| Balance at beginning of period | | $ 189,722 | | $ 164,949 |
| Stock-based compensation | | 795 | | 197 |
| Issuance of restricted shares | | (68) | | (81) |
| Proceeds from exercise of stock options | | 64 | | 13 |
| ***Balance at end of period*** | | **$ 190,513** | | **$ 165,078** |
| **RETAINED EARNINGS** | | | | |
| Balance at beginning of period | | $ 83,991 | | $ 65,710 |
| Net income | | 8,350 | | 5,284 |
| Dividends on preferred shares | | (286) | | (349) |
| Accretion of fair value warrant | | | | (91) |
| ***Balance at end of period*** | | **$ 92,055** | | **$ 70,554** |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX** | | | | |
| Unrealized gains on securities and derivatives: | | | | |
| Balance at beginning of period | | $ (294) | | $ 6,607 |
| Other comprehensive income (loss) during the period | | 2,668 | | (333) |
| ***Balance at end of period*** | | **$ 2,374** | | **$ 6,274** |
| **TREASURY STOCK** | | | | |
| Balance at beginning of period | (1,363,342) | $ (11,182) | (1,355,050) | $ (11,066) |

| | | | | |
|---|---|---|---|---|
| Purchase of treasury shares | (13,156) | (266) | (7,905) | (110) |
| ***Balance at end of period*** | **(1,376,498)** | **$ (11,448)** | **(1,362,955)** | **$ (11,176)** |
| ***TOTAL STOCKHOLDERS EQUITY*** | | **$ 300,030** | | **$ 283,722** |

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

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**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Dollars in Thousands)**

**(Unaudited)**

| | Three Months Ended March 31, 2014 | Three Months Ended March 31, 2013 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 8,350 | $ 5,285 |
| Adjustments reconciling net income to net cash provided by operating activities: | | |
| Depreciation | 1,871 | 1,246 |
| Stock based compensation expense | 795 | 197 |
| Net (gains) losses on sale or disposal of premises and equipment | (18) | 6 |
| Net gains on securities available for sale | (6) | (172) |
| Net losses or write-downs on sale of other real estate owned | 921 | 3,047 |
| Provision for loan losses | 1,726 | 2,923 |
| Amortization of intangible assets | 532 | 364 |
| Net change in mortgage loans held for sale | 15,585 | 6,454 |
| Other prepaids, deferrals and accruals, net | 2,489 | 11,570 |
| **Net cash provided by operating activities** | 32,245 | 30,920 |
| **Cash flows from investing activities, net of effects of business combinations:** | | |
| Net decrease (increase) in federal funds sold and interest-bearing deposits | 156,307 | 112,472 |
| Proceeds from maturities of securities available for sale | 11,834 | 20,746 |
| Purchase of securities available for sale | (46,690) | (25,328) |
| Purchase of bank owned life insurance | | (28,674) |
| Decrease in restricted equity securities, net | 7,506 | 1,304 |
| Proceeds from sales of securities available for sale | 68,899 | 26,802 |
| Net change in loans | (56,807) | (13,805) |
| Proceeds from sales of other real estate owned | 8,932 | 10,140 |
| Proceeds from sales of premises and equipment | 55 | 713 |
| (Increase) decrease in FDIC indemnification asset | 12,260 | (1,255) |
| Purchases of premises and equipment | (464) | (1,470) |
| **Net cash provided by investing activities** | 161,832 | 101,645 |
| **Cash flows from financing activities, net of effects of business combinations:** | | |
| Net (decrease) increase in deposits | 11,416 | (134,690) |
| Net decrease in securities sold under agreements to repurchase | (33,542) | (27,201) |
| Proceeds from other borrowings | 29,963 | |
| Repayment of other borrowings | (165,000) | |

| | | |
|---|---|---|
| Redemption of preferred stock | (28,000) | |
| Dividends paid preferred stock | (286) | (349) |
| Purchase of treasury shares | (266) | (110) |
| Proceeds from exercise of stock options | 70 | 16 |
| **Net cash used in financing activities** | (185,645) | (162,334) |
| **Net decrease in cash and due from banks** | 8,432 | (29,769) |
| **Cash and due from banks at beginning of period** | 62,955 | 80,256 |
| **Cash and due from banks at end of period** | $ 71,387 | $ 50,487 |
| **SUPPLEMNTAL DISCLOSURES OF NON-CASH INFORMATION** | | |
| Cash paid during the period for: | | |
| Interest | $ 3,463 | $ 2,805 |
| Income taxes | $ | $ 780 |
| Loans transferred to other real estate owned | $ 7,547 | $ 15,541 |

**See notes to unaudited consolidated financial statements**

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AMERIS BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 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 March 31, 2014 the Bank operated 68 branches in select markets in Georgia, Alabama, Florida and South Carolina. Our business model capitalizes on the efficiencies of a large financial services company while still providing the community with the personalized banking service expected by our customers. We manage our Bank through a balance of decentralized management responsibilities and efficient centralized operating systems, products and loan underwriting standards. The Company s Board of Directors and senior managers establish corporate policy, strategy and administrative policies. Within our established guidelines and policies, the banker closest to the customer responds to the differing needs and demands of his or her unique market.

The accompanying unaudited consolidated financial statements for Ameris have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. The interim consolidated financial statements included herein are unaudited but reflect all adjustments 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, 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 Adopted Accounting Pronouncements***

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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***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.

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**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).

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 derivatives 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 counterparties. However, as of March 31, 2014 and 2013, 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 adjustments are 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.

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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, 2014 Using: Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| | | (Dollars in Thousands) | | | |
| **Financial assets:** | | | | | |
| Loans, net | $ 2,482,601 | $ | $ 1,651,409 | $ 851,216 | $ 2,502,625 |
| **Financial liabilities:** | | | | | |
| Deposits | 3,010,647 | | 3,011,383 | | 3,011,383 |
| Other borrowings | 59,677 | | 59,677 | | 59,677 |

| | Carrying Amount | Fair Value Measurements at December 31, 2013 Using: Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| | | (Dollars in Thousands) | | | |
| **Financial assets:** | | | | | |
| Loans, net | $ 2,435,067 | $ | $ 1,565,919 | $ 881,536 | $ 2,447,455 |
| **Financial liabilities:** | | | | | |
| Deposits | 2,999,231 | | 3,000,061 | | 3,000,061 |
| Other borrowings | 194,572 | | 194,572 | | 194,572 |

| | 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 |

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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, 2014, December 31, 2013 and March 31, 2013 (dollars in thousands):

| | Fair Value Measurements on a Recurring Basis As of March 31, 2014 | | | |
|---|---|---|---|---|
| | 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 | $ 14,145 | $ | $ 14,145 | $ |
| State, county and municipal securities | 111,574 | | 111,574 | |
| Corporate debt securities | 10,383 | | 8,383 | 2,000 |
| Mortgage-backed securities | 320,611 | | 320,611 | |
| Mortgage loans held for sale | 51,693 | | 51,693 | |
| Total recurring assets at fair value | $ 508,406 | $ | $ 506,406 | $ 2,000 |
| Derivative financial instruments | $ 675 | $ | $ 675 | $ |
| Total recurring liabilities at fair value | $ 675 | $ | $ 675 | $ |

| | Fair Value Measurements on a Recurring Basis As of December 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 | $ 13,926 | $ | $ 13,926 | $ |
| State, county and municipal securities | 112,754 | | 112,754 | |
| Collateralized debt obligations | 1,480 | 1,480 | | |
| Corporate debt securities | 10,325 | | 8,325 | 2,000 |
| Mortgage-backed securities | 347,750 | 182,461 | 165,289 | |
| Mortgage loans held for sale | 67,278 | | 67,278 | |
| Total recurring assets at fair value | $ 553,513 | $ 183,941 | $ 367,572 | $ 2,000 |
| Derivative financial instruments | $ 370 | $ | $ 370 | $ |
| Total recurring liabilities at fair value | $ 370 | $ | $ 370 | $ |

| | 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 | $ |

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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, 2014, December 31, 2013 and March 31, 2013 (dollars in thousands):

| | Fair Value Measurements on a Nonrecurring Basis As of March 31, 2014 | | | |
|---|---|---|---|---|
| | **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 | $ 41,253 | $ | $ | $ 41,253 |
| Other real estate owned | 33,839 | | | 33,839 |
| Purchased, non-covered loans | 437,269 | | | 437,269 |
| Purchased, non-covered other real estate owned | 3,864 | | | 3,864 |
| Covered loans | 372,694 | | | 372,694 |
| Covered other real estate owned | 42,636 | | | 42,636 |
| Total nonrecurring assets at fair value | $ 931,555 | $ | $ | $ 931,555 |

| | Fair Value Measurements on a Nonrecurring Basis As of December 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 | $ 42,546 | $ | $ | $ 42,546 |
| Other real estate owned | 33,351 | | | 33,351 |
| Purchased, non-covered loans | 448,753 | | | 448,753 |
| Purchased, non-covered other real estate owned | 4,276 | | | 4,276 |
| Covered loans | 390,237 | | | 390,237 |
| Covered other real estate owned | 45,893 | | | 45,893 |
| Total nonrecurring assets at fair value | $ 965,056 | $ | $ | $ 965,056 |

**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 |

The inputs used to determine estimated fair value of impaired loans and covered loans include market conditions, loan terms, underlying collateral characteristics and discount rates. The inputs used to determine fair value of other real estate owned and covered other real estate owned include market conditions, estimated marketing period or holding period, underlying collateral characteristics and discount rates.

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For the three months ended March 31, 2014 and 2013, there was not a change in the methods and significant assumptions used to estimate fair value.

The following table shows significant unobservable inputs used in the fair value measurement of Level 3 assets and liabilities.

| Measurements | Fair Value at March 31, 2014 | Valuation Technique | Unobservable Inputs | Range |
|---|---|---|---|---|
| | (Dollars in Thousands) | | | |
| Nonrecurring: | | | | |
| Impaired loans | $ 41,253 | Third party appraisals and discounted cash flows | Collateral discounts and discount rates | 4.00% - 60.00% |
| Other real estate owned | $ 33,839 | Third party appraisals | Collateral discounts and estimated costs to sell | 10.00% - 74.00% |
| Purchased, non-covered loans | $ 437,269 | Third party appraisals and discounted cash flows | Collateral discounts and discount rates | 1.00% - 40.00% |
| Purchased non-covered other real estate owned | $ 3,864 | Third party appraisals | Collateral discounts and estimated costs to sell | 15.00% - 57.00% |
| Covered loans | $ 372,694 | Third party appraisals and discounted cash flows | Collateral discounts and discount rate | 1.75% - 75.00% |
| Covered real estate owned | $ 42,636 | Third party appraisals | Collateral discounts and estimated costs to sell | 10.00% - 87.00% |
| Recurring: | | | | |
| Investment securities available for sale | $ 2,000 | Discounted par values | Credit quality of underlying issuer | 0.00% |

The transfers between the fair value hierarchy levels during the three months ended March 31, 2014 and 2013 involved the transferring of loans to impaired loans, impaired loans to other real estate owned and covered loans to covered other real estate owned. These transfers are reflected in the Company s reconciliation of Level 3 assets below.

| | Investment securities available for sale | Impaired loans carried at fair value | Other real estate owned | Purchased, non-covered loans | Purchased, non-covered other real estate owned | Covered loans | Covered other real estate owned |
|---|---|---|---|---|---|---|---|
| | | | | (Dollars in Thousands) | | | |
| Beginning balance, January 1, 2014 | $ 2,000 | $ 42,546 | $ 33,351 | $ 448,753 | $ 4,276 | $ 390,237 | $ 45,893 |
| Total gains (losses) included in net income | | | (750) | | (46) | | (219) |
| Purchases, sales, issuances, and settlements, net | | | (1,316) | (11,416) | (529) | (12,617) | (7,964) |
| Transfers in or out of Level 3 | | | 1,261 | | 95 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Asset reclassification, within Level 3 | | (1,293) | 1,293 | (68) | 68 | (4,926) | 4,926 |
| **Ending balance, March 31, 2014** | $ 2,000 | $ 41,253 | $ 33,839 | $ 437,269 | $ 3,864 | $ 372,694 | $ 42,636 |

| | **Investment Securities Available for Sale** | **Impaired Loans Carried at Fair Value** | **Other Real Estate Owned** | **Covered Loans** | **Covered Other Real Estate Owned** |
|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | |
| 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 | | | (2,027) | (31,449) | (22,865) |
| Transfers in to Level 3 | | 1,262 | | | |
| Asset reclassification, within 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 |

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## NOTE 2 PENDING MERGER AND ACQUISITION

On March 10, 2014, the Company entered into an Agreement and Plan of Merger (the Merger Agreement ) with Coastal Bankshares, Inc. ( Coastal ), a bank holding company headquartered in Savannah, Georgia. The Coastal Bank is a wholly owned banking subsidiary of Coastal that has a total of six banking locations in Chatham, Liberty and Effingham Counties, Georgia. As of December 31, 2013, Coastal reported assets of $433 million, loans of $295 million and deposits of $364 million. Under the terms of the Merger Agreement, Coastal will merge with and into Ameris, with Ameris as the surviving entity in the merger. In addition, The Coastal Bank will be merged with and into the Bank, with the Bank as the surviving entity.

Pursuant to the terms of the Merger Agreement, Coastal shareholders will receive 0.4671 shares of the Company s common stock in exchange for each share of Coastal common stock they hold. Based on the closing price of the Company s common stock on February 28, 2014, the transaction would be valued at approximately $37.3 million, which represents 169% of Coastal s tangible book value as of December 31, 2013. The purchase price will be allocated among the assets of Coastal acquired as appropriate, with the remaining balance being reported as goodwill.

Consummation of the merger is subject to customary conditions, including, among others, approval of the Merger Agreement by Coastal s shareholders and the receipt of required regulatory approvals. The transaction is expected to close during the third quarter of 2014.

## NOTE 3 BUSINESS COMBINATIONS

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.

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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 and repossessed assets | 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: | | | |
| 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 |

*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.

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## NOTE 4 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 March 31, 2014, December 31, 2013 and March 31, 2013 are presented below:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | | (Dollars in Thousands) | | |
| March 31, 2014: | | | | |
| U. S. government agencies | $ 14,948 | $ | $ (803) | $ 14,145 |
| State, county and municipal securities | 110,331 | 2,724 | (1,481) | 111,574 |
| Corporate debt securities | 10,307 | 285 | (209) | 10,383 |
| Mortgage-backed securities | 319,216 | 4,244 | (2,849) | 320,611 |
| Total debt securities | $ 454,802 | $ 7,253 | $ (5,342) | $ 456,713 |
| 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 debt securities | $ 488,838 | $ 4,891 | $ (7,494) | $ 486,235 |
| 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 |

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The amortized cost and fair value of available-for-sale securities at March 31, 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 | $ 3,088 | $ 3,110 |
| Due from one year to five years | 41,430 | 43,038 |
| Due from five to ten years | 65,798 | 65,210 |
| Due after ten years | 25,270 | 24,744 |
| Mortgage-backed securities | 319,216 | 320,611 |
| | $ 454,802 | $ 456,713 |

Securities with a carrying value of approximately $295.7 million serve as collateral to secure public deposits and for other purposes required or permitted by law at March 31, 2014.

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

| | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| Description of Securities | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | | | (Dollars in Thousands) | | | |
| March 31, 2014: | | | | | | |
| U. S. government agencies | $ 9,353 | $ (595) | $ 4,792 | $ (208) | $ 14,145 | $ (803) |
| State, county and municipal securities | 38,937 | (1,238) | 3,612 | (243) | 42,549 | (1,481) |
| Corporate debt securities | | | 4,871 | (209) | 4,871 | (209) |
| Mortgage-backed securities | 55,103 | (1,219) | 31,184 | (1,630) | 86,287 | (2,849) |
| Total debt securities | $ 103,393 | $ (3,052) | $ 44,459 | $ (2,290) | $ 147,852 | $ (5,342) |
| 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 debt securities | $ 156,316 | $ (5,396) | $ 32,008 | $ (2,098) | $ 188,324 | $ (7,494) |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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) |

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## NOTE 5 LOANS

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

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

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

Consumer installment loans and other loans include automobile loans, boat and recreational vehicle financing, and 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 loan categories are presented in the following table:

| (Dollars in Thousands) | March 31, 2014 | December 31, 2013 | March 31, 2013 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 270,571 | $ 244,373 | $ 180,888 |
| Real estate construction and development | 149,543 | 146,371 | 130,161 |
| Real estate commercial and farmland | 836,230 | 808,323 | 766,227 |
| Real estate residential | 393,001 | 366,882 | 367,056 |
| Consumer installment | 32,345 | 34,249 | 37,335 |
| Other | 13,692 | 18,256 | 11,086 |

| | | | |
|---|---|---|---|
| | $ 1,695,382 | $ 1,618,454 | $ 1,492,753 |

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 $437.3 million and $448.8 million at March 31, 2014 and December 31, 2013, respectively, are not included in the above schedule.

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

| (Dollars in Thousands) | March 31, 2014 | December 31, 2013 | March 31, 2013 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 30,810 | $ 32,141 | $ |
| Real estate construction and development | 31,820 | 31,176 | |
| Real estate commercial and farmland | 174,281 | 179,898 | |
| Real estate residential | 196,078 | 200,851 | |
| Consumer installment | 4,280 | 4,687 | |
| | $ 437,269 | $ 448,753 | $ |

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 $372.7 million, $390.2 million and $460.7 million at March 31, 2014, December 31, 2013 and March 31, 2013, respectively, are not included in the above schedules.

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

| (Dollars in Thousands) | March 31, 2014 | December 31, 2013 | March 31, 2013 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 24,813 | $ 26,550 | $ 28,568 |
| Real estate construction and development | 41,434 | 43,179 | 57,114 |
| Real estate commercial and farmland | 214,649 | 224,451 | 260,159 |
| Real estate residential | 91,372 | 95,173 | 113,668 |
| Consumer installment | 426 | 884 | 1,215 |
| | $ 372,694 | $ 390,237 | $ 460,724 |

**Nonaccrual and Past Due Loans**

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

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

| (Dollars in Thousands) | March 31, 2014 | December 31, 2013 | March 31, 2013 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 3,008 | $ 4,103 | $ 3,756 |
| Real estate construction and development | 4,080 | 3,971 | 9,390 |
| Real estate commercial and farmland | 8,550 | 8,566 | 9,798 |
| Real estate residential | 10,631 | 12,152 | 13,840 |
| Consumer installment | 460 | 411 | 692 |
| | $ 26,729 | $ 29,203 | $ 37,476 |

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

**(Dollars in Thousands)**

| | March 31, 2014 | December 31, 2013 | March 31, 2013 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 117 | $ 11 | $ |
| Real estate construction and development | 1,131 | 325 | |
| Real estate commercial and farmland | 6,829 | 1,653 | |
| Real estate residential | 7,208 | 4,658 | |
| Consumer installment | 33 | 12 | |
| | $ 15,318 | $ 6,659 | $ |

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

| (Dollars in Thousands) | March 31, 2014 | December 31, 2013 | March 31, 2013 |
|---|---|---|---|
| Commercial, financial and agricultural | $ 10,025 | $ 7,257 | $ 8,718 |
| Real estate construction and development | 14,780 | 14,781 | 18,956 |
| Real estate commercial and farmland | 24,285 | 33,495 | 47,580 |
| Real estate residential | 10,558 | 13,278 | 23,018 |
| Consumer installment | 133 | 341 | 243 |
| | $ 59,781 | $ 69,152 | $ 98,515 |

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The following table presents an analysis of loans, excluding purchased non-covered and covered past due loans as of March 31, 2014, December 31, 2013 and March 31, 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 March 31, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 1,083 | $ 386 | $ 2,956 | $ 4,425 | $ 266,146 | $ 270,571 | $ |
| Real estate construction & development | 1,304 | 249 | 3,919 | 5,472 | 144,071 | 149,543 | |
| Real estate commercial & farmland | 2,255 | 1,650 | 7,622 | 11,527 | 824,703 | 836,230 | |
| Real estate residential | 3,657 | 1,541 | 10,298 | 15,496 | 377,505 | 393,001 | |
| Consumer installment loans | 474 | 68 | 345 | 887 | 31,458 | 32,345 | |
| Other | | | | | 13,692 | 13,692 | |
| Total | $ 8,773 | $ 3,894 | $ 25,140 | $ 37,807 | $ 1,657,575 | $ 1,695,382 | $ |

| | 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, 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 | $ |

| | 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 | 345,952 | 367,056 | |
| Consumer installment loans | 745 | 169 | 563 | 1,477 | 35,858 | 37,335 | |
| Other | | | | | 11,086 | 11,086 | |
| Total | $ 22,881 | $ 6,795 | $ 33,655 | $ 63,331 | $ 1,429,422 | $ 1,492,753 | $ |

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The following table presents an analysis of purchased non-covered past due loans as of March 31, 2014 and December 31, 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 March 31, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 291 | $ | $ 117 | $ 408 | $ 30,402 | $ 30,810 | $ |
| Real estate construction & development | 680 | 661 | 867 | 2,208 | 29,612 | 31,820 | |
| Real estate commercial & farmland | 3,956 | 5,126 | 2,550 | 11,632 | 162,649 | 174,281 | |
| Real estate residential | 5,187 | 1,816 | 6,503 | 13,506 | 182,572 | 196,078 | |
| Consumer installment loans | 12 | 11 | 30 | 53 | 4,227 | 4,280 | |
| Total | $ 10,126 | $ 7,614 | $ 10,067 | $ 27,807 | $ 409,462 | $ 437,269 | $ |

| | 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, 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 | |
| Total | $ 12,903 | $ 3,314 | $ 5,289 | $ 21,506 | $ 427,247 | $ 448,753 | $ |

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The following table presents an analysis of covered past due loans as of March 31, 2014, December 31, 2013 and March 31, 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 March 31, 2014:** | | | | | | | |
| Commercial, financial & agricultural | $ 688 | $ 55 | $ 8,976 | $ 9,719 | $ 15,094 | $ 24,813 | $ |
| Real estate construction & development | 4,248 | 302 | 14,472 | 19,022 | 22,412 | 41,434 | |
| Real estate commercial & farmland | 15,732 | 3,722 | 17,680 | 37,134 | 177,515 | 214,649 | |
| Real estate residential | 3,579 | 1,585 | 9,752 | 14,916 | 76,456 | 91,372 | 1,396 |
| Consumer installment loans | 2 | 50 | 103 | 155 | 271 | 426 | |
| Total | $ 24,249 | $ 5,714 | $ 50,983 | $ 80,946 | $ 291,748 | $ 372,694 | $ 1,396 |

| | 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, 2013:** | | | | | | | |
| Commercial, financial & agricultural | $ 3,966 | $ 12 | $ 6,165 | $ 10,143 | $ 16,407 | $ 26,550 | $ |
| Real estate construction & development | 843 | 144 | 14,055 | 15,042 | 28,137 | 43,179 | |
| Real estate commercial & farmland | 8,482 | 4,350 | 26,428 | 39,260 | 185,191 | 224,451 | 346 |
| Real estate residential | 7,648 | 1,914 | 10,244 | 19,806 | 75,367 | 95,173 | |
| Consumer installment loans | 51 | 14 | 305 | 370 | 514 | 884 | |
| Total | $ 20,990 | $ 6,434 | $ 57,197 | $ 84,621 | $ 305,616 | $ 390,237 | $ 346 |

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

| | Due | Past Due | Days Past Due | | | | 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 |

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## Impaired Loans

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

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

| | As of and For the Period Ended | | |
|---|---|---|---|
| | March 31, 2014 | December 31, 2013 | March 31, 2013 |
| | (Dollars in Thousands) | | |
| Nonaccrual loans | $ 26,729 | $ 29,203 | $ 37,476 |
| Troubled debt restructurings not included above | 18,848 | 17,214 | 18,513 |
| Total impaired loans | $ 45,577 | $ 46,417 | $ 55,989 |
| Impaired loans not requiring a related allowance | $ | $ | $ |
| Impaired loans requiring a related allowance | $ 45,577 | $ 46,417 | $ 55,989 |
| Allowance related to impaired loans | $ 4,324 | $ 3,871 | $ 4,839 |
| Average investment in impaired loans | $ 45,997 | $ 51,721 | $ 56,808 |
| Interest income recognized on impaired loans | $ 20 | $ 522 | $ 78 |
| Foregone interest income on impaired loans | $ 246 | $ 418 | $ 54 |

The following table presents an analysis of information pertaining to impaired loans, excluding purchased non-covered and covered loans as of March 31, 2014, December 31, 2013 and March 31, 2013:

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | |
| **As of March 31, 2014:** | | | | | | |
| Commercial, financial & agricultural | $ 5,421 | $ | $ 3,719 | $ 3,719 | $ 394 | $ 4,169 |
| Real estate construction & development | 10,636 | | 6,033 | 6,033 | 736 | 5,950 |
| Real estate commercial & farmland | 19,983 | | 17,282 | 17,282 | 1,972 | 16,380 |
| Real estate residential | 21,307 | | 17,996 | 17,996 | 1,211 | 18,983 |
| Consumer installment loans | 688 | | 547 | 547 | 11 | 515 |
| Total | $ 58,035 | $ | $ 45,577 | $ 45,577 | $ 4,324 | $ 45,997 |

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| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | |
| **As of December 31, 2013:** | | | | | | |
| Commercial, financial & agricultural | $ 6,240 | $ | $ 4,618 | $ 4,618 | $ 435 | $ 4,844 |
| Real estate construction & development | 11,363 | | 5,867 | 5,867 | 512 | 8,341 |
| Real estate commercial & farmland | 18,456 | | 15,479 | 15,479 | 1,443 | 17,559 |
| Real estate residential | 24,342 | | 19,970 | 19,970 | 1,472 | 20,335 |
| Consumer installment loans | 623 | | 483 | 483 | 9 | 642 |
| Total | $ 61,024 | $ | $ 46,417 | $ 46,417 | $ 3,871 | $ 51,721 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | |
| **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 |

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

| | As of and For the Period Ended | | |
|---|---|---|---|
| | March 31, 2014 | December 31, 2013 | March 31, 2013 |
| | | (Dollars in Thousands) | |
| Nonaccrual loans | $ 15,318 | $ 6,659 | $ |
| Troubled debt restructurings not included above | 5,191 | 5,938 | |
| Total impaired loans | $ 20,509 | $ 12,597 | $ |
| Impaired loans not requiring a related allowance | $ 20,509 | $ 12,597 | $ |

| | | | |
|---|---|---|---|
| Impaired loans requiring a related allowance | $ | $ | $ |
| Allowance related to impaired loans | $ | $ | $ |
| Average investment in impaired loans | $ 16,553 | $ 242 | $ |
| Interest income recognized on impaired loans | $ | $ | $ |
| Foregone interest income on impaired loans | $ 563 | $ | $ |

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The following table presents an analysis of information pertaining to impaired purchased non-covered loans as of March 31, 2014 and December 31, 2013:

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | |
| **As of March 31, 2014:** | | | | | | |
| Commercial, financial & agricultural | $ 233 | $ 117 | $ | $ 117 | $ | $ 64 |
| Real estate construction & development | 6,173 | 3,574 | | 3,574 | | 3,631 |
| Real estate commercial & farmland | 12,966 | 7,790 | | 7,790 | | 5,336 |
| Real estate residential | 15,524 | 8,987 | | 8,987 | | 7,483 |
| Consumer installment loans | 240 | 41 | | 41 | | 39 |
| Total | $ 35,136 | $ 20,509 | $ | $ 20,509 | $ | $ 16,553 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | |
| **As of December 31, 2013:** | | | | | | |
| Commercial, financial & agricultural | $ 19 | $ 11 | $ | $ 11 | $ | $ |
| Real estate construction & development | 5,719 | 3,690 | | 3,690 | | 71 |
| Real estate commercial & farmland | 4,563 | 2,881 | | 2,881 | | 55 |
| Real estate residential | 9,612 | 5,978 | | 5,978 | | 115 |
| Consumer installment loans | 57 | 37 | | 37 | | 1 |
| Total | $ 19,970 | $ 12,597 | $ | $ 12,597 | $ | $ 242 |

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

| | As of and For the Period Ended | | |
|---|---|---|---|
| | March 31, 2014 | December 31, 2013 | March 31, 2013 |
| | | (Dollars in Thousands) | |
| Nonaccrual loans | $ 59,781 | $ 69,152 | $ 98,515 |
| Troubled debt restructurings not included above | 22,775 | 22,243 | 21,592 |
| Total impaired loans | $ 82,556 | $ 91,395 | $ 120,107 |

| | | | |
|---|---|---|---|
| Impaired loans not requiring a related allowance | $ 82,556 | $ 91,395 | $ 120,107 |
| Impaired loans requiring a related allowance | $ | $ | $ |
| Allowance related to impaired loans | $ | $ | $ |
| Average investment in impaired loans | $ 86,976 | $ 110,830 | $ 127,507 |
| Interest income recognized on impaired loans | $ 155 | $ 968 | $ 169 |
| Foregone interest income on impaired loans | $ 10 | $ 330 | $ 147 |

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The following table presents an analysis of information pertaining to impaired covered loans as of March 31, 2014, December 31, 2013 and March 31, 2013:

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | |
| **As of March 31, 2014:** | | | | | | |
| Commercial, financial & agricultural | $ 12,143 | $ 10,039 | $ | $ 10,039 | $ | $ 8,655 |
| Real estate construction & development | 20,704 | 18,034 | | 18,034 | | 18,036 |
| Real estate commercial & farmland | 36,664 | 31,746 | | 31,746 | | 36,247 |
| Real estate residential | 25,230 | 22,604 | | 22,604 | | 23,801 |
| Consumer installment loans | 167 | 133 | | 133 | | 237 |
| Total | $ 94,908 | $ 82,556 | $ | $ 82,556 | $ | $ 86,976 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | |
| **As of December 31, 2013:** | | | | | | |
| Commercial, financial & agricultural | $ 9,680 | $ 7,270 | $ | $ 7,270 | $ | $ 8,696 |
| Real estate construction & development | 20,915 | 18,037 | | 18,037 | | 21,794 |
| Real estate commercial & farmland | 46,612 | 40,749 | | 40,749 | | 51,584 |
| Real estate residential | 29,089 | 24,998 | | 24,998 | | 28,452 |
| Consumer installment loans | 394 | 341 | | 341 | | 304 |
| Total | $ 106,690 | $ 91,395 | $ | $ 91,395 | $ | $ 110,830 |

| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | |
| **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 |

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**Credit Quality Indicators**

The Company uses a nine category risk grading system to assign a risk grade to each loan in the portfolio. 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 credit worthiness 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.

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The following table presents the loan portfolio, excluding purchased non-covered and covered loans, by risk grade as of March 31, 2014:

| 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 | $ 86,688 | $ | $ 259 | $ 478 | $ 6,380 | $ | $ 93,805 |
| 15 | 26,730 | 5,483 | 153,285 | 57,119 | 1,346 | | 243,963 |
| 20 | 90,692 | 48,872 | 454,292 | 192,492 | 17,678 | 13,692 | 817,718 |
| 23 | 120 | 9,111 | 9,784 | 11,765 | 276 | | 31,056 |
| 25 | 55,827 | 76,962 | 178,174 | 100,634 | 5,580 | | 417,177 |
| 30 | 5,386 | 2,889 | 15,324 | 14,440 | 201 | | 38,240 |
| 40 | 5,001 | 6,226 | 25,112 | 16,063 | 884 | | 53,286 |
| 50 | 127 | | | 10 | | | 137 |
| 60 | | | | | | | |
| Total | $ 270,571 | $ 149,543 | $ 836,230 | $ 393,001 | $ 32,345 | $ 13,692 | $ 1,695,382 |

The following table presents the loan portfolio, excluding purchased non-covered and covered loans, by risk grade as of December 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 | $ 66,983 | $ | $ 265 | $ 419 | $ 6,714 | $ | $ 74,381 |
| 15 | 24,789 | 4,655 | 147,157 | 52,335 | 1,276 | | 230,212 |
| 20 | 93,852 | 45,195 | 431,790 | 165,339 | 18,619 | 18,256 | 773,051 |
| 23 | 127 | 8,343 | 10,219 | 12,641 | 274 | | 31,604 |
| 25 | 50,373 | 78,736 | 181,645 | 103,427 | 6,310 | | 420,491 |
| 30 | 2,111 | 2,876 | 11,849 | 13,558 | 197 | | 30,591 |
| 40 | 6,011 | 6,566 | 25,398 | 19,153 | 859 | | 57,987 |
| 50 | 127 | | | 10 | | | 137 |
| 60 | | | | | | | |
| Total | $ 244,373 | $ 146,371 | $ 808,323 | $ 366,882 | $ 34,249 | $ 18,256 | $ 1,618,454 |

The following table presents the loan portfolio, excluding purchased non-covered and covered loans, 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 | 138,634 | 19,623 | 11,086 | 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 | $ 367,056 | $ 37,335 | $ 11,086 | $ 1,492,753 |

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The following table presents the purchased non-covered loan portfolio by risk grade as of March 31, 2014:

| 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 | $ 1,932 | $ | $ | $ 287 | $ 328 | $ | $ 2,547 |
| 15 | 4,408 | 52 | 12,422 | 14,231 | 679 | | 31,792 |
| 20 | 4,596 | 3,907 | 43,132 | 33,553 | 1,218 | | 86,406 |
| 23 | | | | | | | |
| 25 | 19,213 | 22,780 | 102,918 | 134,653 | 1,965 | | 281,529 |
| 30 | 235 | 697 | 3,387 | 2,660 | 20 | | 6,999 |
| 40 | 426 | 4,384 | 12,422 | 10,694 | 70 | | 27,996 |
| 50 | | | | | | | |
| 60 | | | | | | | |
| Total | $ 30,810 | $ 31,820 | $ 174,281 | $ 196,078 | $ 4,280 | $ | $ 437,269 |

The following table presents the purchased non-covered loan portfolio by risk grade as of December 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 | $ 1,865 | $ | $ | $ 289 | $ 451 | $ | $ 2,605 |
| 15 | 4,606 | 7 | 12,998 | 16,160 | 703 | | 34,474 |
| 20 | 5,172 | 3,960 | 43,802 | 34,576 | 1,383 | | 88,893 |
| 23 | | | | | | | |
| 25 | 19,638 | 20,733 | 102,260 | 129,923 | 1,888 | | 274,442 |
| 30 | 576 | 1,760 | 9,554 | 10,878 | 194 | | 22,962 |
| 40 | 284 | 4,716 | 11,284 | 9,025 | 68 | | 25,377 |
| 50 | | | | | | | |
| 60 | | | | | | | |
| Total | $ 32,141 | $ 31,176 | $ 179,898 | $ 200,851 | $ 4,687 | $ | $ 448,753 |

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The following table presents the covered loan portfolio by risk grade as of March 31, 2014:

| 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 | | 10 | 1,024 | 650 | | | 1,684 |
| 20 | 1,769 | 7,760 | 35,625 | 19,613 | 151 | | 64,918 |
| 23 | 139 | 978 | 17,416 | 4,870 | 51 | | 23,454 |
| 25 | 6,921 | 9,182 | 101,948 | 38,140 | 42 | | 156,233 |
| 30 | 5,106 | 1,185 | 17,625 | 7,025 | 3 | | 30,944 |
| 40 | 10,878 | 22,319 | 41,011 | 21,074 | 179 | | 95,461 |
| 50 | | | | | | | |
| 60 | | | | | | | |
| Total | $ 24,813 | $ 41,434 | $ 214,649 | $ 91,372 | $ 426 | $ | $ 372,694 |

The following table presents the covered loan portfolio by risk grade as of December 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 | | 16 | 1,048 | 638 | | | 1,702 |
| 20 | 2,184 | 8,549 | 34,674 | 21,363 | 193 | | 66,963 |
| 23 | 134 | 1,085 | 17,037 | 4,748 | 51 | | 23,055 |
| 25 | 7,508 | 9,611 | 101,657 | 38,427 | 235 | | 157,438 |
| 30 | 5,125 | 2,006 | 21,297 | 6,979 | 17 | | 35,424 |
| 40 | 11,599 | 21,912 | 48,738 | 23,018 | 388 | | 105,655 |
| 50 | | | | | | | |
| 60 | | | | | | | |
| Total | $ 26,550 | $ 43,179 | $ 224,451 | $ 95,173 | $ 884 | $ | $ 390,237 |

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

| Risk Grade | Commercial, financial & | Real estate - construction & | Real estate - commercial & farmland | Real estate - residential | Consumer installment loans | Other | Total |
|---|---|---|---|---|---|---|---|

**agricultural development**

**(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 |

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### 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 the 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 that 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 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) 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 2014 and 2013 totaling $6.3 million and $27.4 million, respectively, 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.

As of March 31, 2014, December 31, 2013 and March 31, 2013, the Company had a balance of $21.2 million, $20.9 million and $23.3 million, respectively, in troubled debt restructurings, excluding purchased non-covered and covered loans. The Company has recorded $2.3 million, $2.1 million and $2.6 million in previous charge-offs on such loans at March 31, 2014, December 31, 2013 and March 31, 2013, respectively. The Company s balance in the allowance for loan losses allocated to such troubled debt restructurings was $422,000, $432,000 and $591,000 at March 31, 2014, December 31, 2013 and March 31, 2013, respectively. At March 31, 2014, the Company did not have any commitments to lend additional funds to debtors whose terms have been modified in troubled restructurings

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The following table presents the amount of troubled debt restructurings by loan class, excluding purchased non-covered and covered loans, classified separately as accrual and non-accrual at March 31, 2014, December 31, 2013 and March 31, 2013:

| *As of March 31, 2014* | **Accruing Loans** | | **Non-Accruing Loans** | |
|---|---|---|---|---|
| | | **Balance** | | **Balance** |
| Loan class: | **#** | ***(in thousands)*** | **#** | ***(in thousands)*** |
| Commercial, financial & agricultural | 4 | $ 711 | 2 | $ 40 |
| Real estate construction & development | 11 | 1,953 | 1 | 29 |
| Real estate commercial & farmland | 19 | 8,733 | 5 | 1,316 |
| Real estate residential | 35 | 7,364 | 8 | 961 |
| Consumer installment | 11 | 87 | 2 | 19 |
| Total | 80 | $ 18,848 | 18 | $ 2,365 |

| *As of December 31, 2013* | **Accruing Loans** | | **Non-Accruing Loans** | |
|---|---|---|---|---|
| | | **Balance** | | **Balance** |
| Loan class: | **#** | ***(in thousands)*** | **#** | ***(in thousands)*** |
| Commercial, financial & agricultural | 4 | $ 515 | 3 | $ 525 |
| Real estate construction & development | 8 | 1,896 | 2 | 32 |
| Real estate commercial & farmland | 17 | 6,913 | 4 | 2,273 |
| Real estate residential | 37 | 7,818 | 8 | 834 |
| Consumer installment | 6 | 72 | 3 | 19 |
| Total | 72 | $ 17,214 | 20 | $ 3,683 |

| *As of March 31, 2013* | **Accruing Loans** | | **Non-Accruing Loans** | |
|---|---|---|---|---|
| | | **Balance** | | **Balance** |
| Loan class: | **#** | ***(in thousands)*** | **#** | ***(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 |

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The following table presents the amount of troubled debt restructurings by loan class, excluding purchased non-covered and covered loans, classified separately as those currently paying under restructured terms and those that have defaulted under restructured terms at March 31, 2014, December 31, 2013 and March 31, 2013:

| *As of March 31, 2014* | **Loans Currently Paying Under Restructured Terms** | | **Loans that have Defaulted Under Restructured Terms** | |
|---|---|---|---|---|
| Loan class: | **#** | **Balance *(in thousands)*** | **#** | **Balance *(in thousands)*** |
| Commercial, financial & agricultural | 4 | $ 268 | 2 | $ 482 |
| Real estate construction & development | 10 | 1,916 | 2 | 66 |
| Real estate commercial & farmland | 19 | 8,733 | 5 | 1,316 |
| Real estate residential | 30 | 6,365 | 13 | 1,961 |
| Consumer installment | 11 | 80 | 2 | 26 |
| Total | 74 | $ 17,362 | 24 | $ 3,851 |

| *As of December 31, 2013* | **Loans Currently Paying Under Restructured Terms** | | **Loans that have Defaulted Under Restructured Terms** | |
|---|---|---|---|---|
| Loan class: | **#** | **Balance *(in thousands)*** | **#** | **Balance *(in thousands)*** |
| Commercial, financial & agricultural | 4 | $ 515 | 3 | $ 525 |
| Real estate construction & development | 8 | 1,896 | 2 | 32 |
| Real estate commercial & farmland | 16 | 6,396 | 5 | 2,789 |
| Real estate residential | 32 | 6,699 | 13 | 1,953 |
| Consumer installment | 7 | 90 | 2 | 2 |
| Total | 67 | $ 15,596 | 25 | $ 5,301 |

| *As of March 31, 2013* | **Loans Currently Paying Under Restructured Terms** | | **Loans that have Defaulted Under Restructured Terms** | |
|---|---|---|---|---|
| Loan class: | **#** | **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 |

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The following table presents the amount of troubled debt restructurings, excluding purchased non-covered and covered loans, by types of concessions made, classified separately as accrual and non-accrual at March 31, 2014, December 31, 2013 and March 31, 2013:

| *As of March 31, 2014* | **Accruing Loans** | | | **Non-Accruing Loans** | | |
|---|---|---|---|---|---|---|
| | | **Balance** | | | **Balance** | |
| Type of Concession: | **#** | ***(in thousands)*** | | **#** | ***(in thousands)*** | |
| Forbearance of Interest | 8 | $ | 1,933 | 4 | $ | 300 |
| Forgiveness of Principal | 4 | | 1,957 | 1 | | 516 |
| Payment Modification Only | | | | 1 | | 149 |
| Rate Reduction Only | 13 | | 6,782 | 4 | | 1,134 |
| Rate Reduction, Forbearance of Interest | 38 | | 5,489 | 6 | | 230 |
| Rate Reduction, Forbearance of Principal | 17 | | 2,687 | 1 | | 7 |
| Rate Reduction, Payment Modification | | | | 1 | | 29 |
| Total | 80 | $ | 18,848 | 18 | $ | 2,365 |

| *As of December 31, 2013* | **Accruing Loans** | | | **Non-Accruing Loans** | | |
|---|---|---|---|---|---|---|
| | | **Balance** | | | **Balance** | |
| Type of Concession: | **#** | ***(in thousands)*** | | **#** | ***(in thousands)*** | |
| Forbearance of Interest | 10 | $ | 2,170 | 2 | $ | 97 |
| Forgiveness of Principal | 3 | | 1,467 | 1 | | 145 |
| Payment Modification Only | 1 | | 280 | 1 | | 88 |
| Rate Reduction Only | 14 | | 7,069 | 3 | | 913 |
| Rate Reduction, Forbearance of Interest | 26 | | 3,252 | 12 | | 2,411 |
| Rate Reduction, Forbearance of Principal | 18 | | 2,976 | | | |
| Rate Reduction, Payment Modification | | | | 1 | | 29 |
| Total | 72 | $ | 17,214 | 20 | $ | 3,683 |

| *As of March 31, 2013* | **Accruing Loans** | | | **Non-Accruing Loans** | | |
|---|---|---|---|---|---|---|
| | | **Balance** | | | **Balance** | |
| Type of Concession: | **#** | ***(in thousands)*** | | **#** | ***(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 |

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The following table presents the amount of troubled debt restructurings, excluding purchased non-covered and covered loans, by collateral types, classified separately as accrual and non-accrual at March 31, 2014, December 31, 2013 and March 31, 2013:

| *As of March 31, 2014* | **Accruing Loans** | | **Non-Accruing Loans** | |
|---|---|---|---|---|
| | | **Balance** | | **Balance** |
| Collateral type: | **#** | ***(in thousands)*** | **#** | ***(in thousands)*** |
| Warehouse | 4 | $ 1,345 | 2 | $ 586 |
| Raw Land | 5 | 1,298 | 1 | 29 |
| Agriculture | 1 | 311 | 1 | 66 |
| Hotel & Motel | 3 | 2,154 | | |
| Office | 4 | 1,652 | 1 | 149 |
| Retail, including Strip Centers | 6 | 2,905 | 1 | 516 |
| 1-4 Family Residential | 42 | 8,027 | 9 | 978 |
| Church | 1 | 365 | | |
| Automobile/Equipment/Inventory | 13 | 548 | 3 | 41 |
| Unsecured | 1 | 243 | | |
| Total | 80 | $ 18,848 | 18 | $ 2,365 |

| *As of December 31, 2013* | **Accruing Loans** | | **Non-Accruing Loans** | |
|---|---|---|---|---|
| | | **Balance** | | **Balance** |
| Collateral type: | **#** | ***(in thousands)*** | **#** | ***(in thousands)*** |
| Warehouse | 4 | $ 1,346 | 2 | $ 592 |
| Raw Land | 11 | 2,345 | 2 | 32 |
| Hotel & Motel | 3 | 2,185 | | |
| Office | 4 | 1,909 | | |
| Retail, including Strip Centers | 4 | 1,095 | 2 | 1,680 |
| 1-4 Family Residential | 36 | 7,747 | 9 | 852 |
| Life Insurance Policy | 1 | 250 | | |
| Automobile/Equipment/Inventory | 8 | 92 | 4 | 479 |
| Unsecured | 1 | 245 | 1 | 48 |
| Total | 72 | $ 17,214 | 20 | $ 3,683 |

| *As of March 31, 2013* | **Accruing Loans** | | **Non-Accruing Loans** | |
|---|---|---|---|---|
| | | **Balance** | | **Balance** |
| Collateral type: | **#** | ***(in thousands)*** | **#** | ***(in thousands)*** |
| 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 |

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As of March 31, 2014 and December 31, 2013, the Company had a balance of $6.5 million and $7.2 million, respectively, in troubled debt restructurings included in purchased non-covered loans. The Company has recorded $345,000 in previous charge-offs on such loans at March 31, 2014. The Company had not recorded any previous charge-offs on such loans at December 31, 2013. At March 31, 2014, the Company did not have any commitments to lend additional funds to debtors whose terms have been modified in troubled restructurings.

The following table presents the amount of troubled debt restructurings by loan class of purchased non-covered loans, classified separately as accrual and non-accrual at March 31, 2014 and December 31, 2013.

| *As of March 31, 2014* | Accruing Loans | | Non-Accruing Loans | |
|---|---|---|---|---|
| Loan class: | # | Balance *(in thousands)* | # | Balance *(in thousands)* |
| Commercial, financial & agricultural | | $ | 1 | $ 6 |
| Real estate construction & development | 7 | 2,443 | 2 | 264 |
| Real estate commercial & farmland | 2 | 961 | 2 | 726 |
| Real estate residential | 12 | 1,779 | 4 | 255 |
| Consumer installment | 1 | 8 | 2 | 17 |
| Total | 22 | $ 5,191 | 11 | $ 1,268 |

| *As of December 31, 2013* | Accruing Loans | | Non-Accruing Loans | |
|---|---|---|---|---|
| Loan class: | # | Balance *(in thousands)* | # | Balance *(in thousands)* |
| Commercial, financial & agricultural | | $ | 1 | $ 6 |
| Real estate construction & development | 10 | 3,364 | | |
| Real estate commercial & farmland | 3 | 1,228 | 1 | 468 |
| Real estate residential | 8 | 1,321 | 8 | 738 |
| Consumer installment | 3 | 25 | | |
| Total | 24 | $ 5,938 | 10 | $ 1,212 |

The following table presents the amount of troubled debt restructurings by loan class of purchased non-covered loans, classified separately as those currently paying under restructured terms and those that have defaulted under restructured terms at March 31, 2014 and December 31, 2013.

| *As of March 31, 2014* | Loans Currently Paying Under Restructured Terms | | | Loans that have Defaulted Under Restructured Terms | | |
|---|---|---|---|---|---|---|
| Loan class: | # | | Balance *(in thousands)* | # | | Balance *(in thousands)* |
| Commercial, financial & agricultural | | $ | | 1 | $ | 6 |
| Real estate construction & development | 6 | | 2,244 | 3 | | 463 |
| Real estate commercial & farmland | | | | 4 | | 1,687 |
| Real estate residential | 8 | | 1,187 | 8 | | 847 |
| Consumer installment | 1 | | 8 | 2 | | 17 |
| Total | 15 | $ | 3,439 | 18 | $ | 3,020 |

| *As of December 31, 2013* | Loans Currently Paying Under Restructured Terms | | | Loans that have Defaulted Under Restructured Terms | | |
|---|---|---|---|---|---|---|
| Loan class: | # | | Balance *(in thousands)* | # | | Balance *(in thousands)* |
| Commercial, financial & agricultural | | $ | | 1 | $ | 6 |
| Real estate construction & development | 1 | | 8 | 2 | | 17 |
| Real estate commercial & farmland | 8 | | 3,068 | 2 | | 296 |
| Real estate residential | | | | 4 | | 1,696 |
| Consumer installment | 7 | | 1,153 | 9 | | 906 |
| Total | 16 | $ | 4,229 | 18 | $ | 2,921 |

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The following table presents the amount of troubled debt restructurings included in purchased non-covered loans, by types of concessions made, classified separately as accrual and non-accrual at March 31, 2014 and December 31, 2013.

| *As of March 31, 2014* | Accruing Loans | | Non-Accruing Loans | |
|---|---|---|---|---|
| Type of Concession: | # | Balance *(in thousands)* | # | Balance *(in thousands)* |
| Forbearance of Principal | 1 | $ 299 | | $ |
| Forgiveness of Principal | 1 | 164 | 1 | 259 |
| Payment Modification Only | 1 | 61 | 1 | 13 |
| Rate Reduction Only | 12 | 2,354 | 7 | 491 |
| Rate Reduction, Forbearance of Principal | 7 | 2,313 | 2 | 505 |
| Total | 22 | $ 5,191 | 11 | $ 1,268 |

| *As of December 31, 2013* | Accruing Loans | | Non-Accruing Loans | |
|---|---|---|---|---|
| Type of Concession: | # | Balance *(in thousands)* | # | Balance *(in thousands)* |
| Forbearance of Interest | 1 | $ 300 | | $ |
| Forgiveness of Principal | 2 | 425 | | |
| Payment Modification Only | 2 | 75 | | |
| Rate Reduction Only | 11 | 2,170 | 8 | 707 |
| Rate Reduction, Forbearance of Principal | 8 | 2,968 | 2 | 505 |
| Total | 24 | $ 5,938 | 10 | $ 1,212 |

The following table presents the amount of troubled debt restructurings included in purchased non-covered loans, by collateral types, classified separately as accrual and non-accrual at March 31, 2014 and December 31, 2013.

| *As of March 31, 2014* | Accruing Loans | | Non-Accruing Loans | |
|---|---|---|---|---|
| Collateral type: | # | Balance *(in thousands)* | # | Balance *(in thousands)* |
| Warehouse | | $ | 1 | $ 467 |
| Raw Land | 5 | 1,988 | | |
| Office | 1 | 798 | | |
| Retail, including Strip Centers | 1 | 164 | 1 | 259 |
| 1-4 Family Residential | 15 | 2,241 | 6 | 519 |
| Automobile/Equipment/Inventory | | | 3 | 23 |
| Total | 22 | $ 5,191 | 11 | $ 1,268 |

| *As of December 31, 2013* | Accruing Loans | | Non-Accruing Loans | |
|---|---|---|---|---|
| Collateral type: | # | Balance *(in thousands)* | # | Balance *(in thousands)* |
| Warehouse | | $ | 1 | $ 468 |
| Raw Land | 6 | 2,640 | | |
| Office | 1 | 803 | | |
| Retail, including Strip Centers | 2 | 425 | | |
| 1-4 Family Residential | 13 | 2,053 | 8 | 738 |
| Automobile/Equipment/Inventory | 2 | 17 | 1 | 6 |
| Total | 24 | $ 5,938 | 10 | $ 1,212 |

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As of March 31, 2014, December 31, 2013 and March 31, 2013, the Company had a balance of $22.8 million, $27.3 million and $27.6 million, respectively, in troubled debt restructurings included in covered loans. The Company has recorded $3.2 million, $1.6 million and $6.6 million in previous charge-offs on such loans at March 31, 2014, December 31, 2013 and March 31, 2013, respectively. At March 31, 2014, the Company did not have any commitments to lend additional funds to debtors whose terms have been modified in troubled restructurings.

The following table presents the amount of troubled debt restructurings by loan class of covered loans, classified separately as accrual and non-accrual at March 31, 2014, December 31, 2013 and March 31, 2013.

| *As of March 31, 2014* | Accruing Loans | | | Non-Accruing Loans | | |
|---|---|---|---|---|---|---|
| Loan class: | # | Balance *(in thousands)* | | # | Balance *(in thousands)* | |
| Commercial, financial & agricultural | 1 | $ | 14 | 5 | $ | 68 |
| Real estate construction & development | 3 | | 3,254 | 5 | | 49 |
| Real estate commercial & farmland | 14 | | 7,461 | 7 | | 3,872 |
| Real estate residential | 85 | | 12,046 | 9 | | 1,031 |
| Consumer installment | | | | 1 | | 5 |
| Total | 103 | $ | 22,775 | 27 | $ | 5,025 |

| *As of December 31, 2013* | Accruing Loans | | | Non-Accruing Loans | | |
|---|---|---|---|---|---|---|
| Loan class: | # | Balance *(in thousands)* | | # | Balance *(in thousands)* | |
| Commercial, financial & agricultural | 1 | $ | 13 | 5 | $ | 71 |
| Real estate construction & development | 3 | | 3,256 | 4 | | 52 |
| Real estate commercial & farmland | 13 | | 7,255 | 5 | | 3,946 |
| Real estate residential | 83 | | 11,719 | 8 | | 942 |
| Consumer installment | | | | 2 | | 10 |
| Total | 100 | $ | 22,243 | 24 | $ | 5,021 |

| *As of March 31, 2013* | Accruing Loans | | | Non-Accruing Loans | | |
|---|---|---|---|---|---|---|
| Loan class: | # | Balance *(in thousands)* | | # | Balance *(in thousands)* | |
| Commercial, financial & agricultural | 1 | $ | 36 | 1 | $ | |
| Real estate construction & development | 8 | | 5,022 | 3 | | 788 |
| Real estate commercial & farmland | 13 | | 6,438 | 6 | | 4,984 |
| Real estate residential | 53 | | 8,266 | 9 | | 2,016 |
| Consumer installment | | | | 1 | | 6 |
| Total | 75 | $ | 19,762 | 20 | $ | 7,794 |

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**Table of Contents**

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

| *As of March 31, 2014* | Loans Currently Paying Under Restructured Terms | | Loans that have Defaulted Under Restructured Terms | |
|---|---|---|---|---|
| Loan class: | # | Balance *(in thousands)* | # | Balance *(in thousands)* |
| Commercial, financial & agricultural | 5 | $ 43 | 1 | $ 40 |
| Real estate construction & development | 2 | 374 | 6 | 2,928 |
| Real estate commercial & farmland | 18 | 6,962 | 3 | 4,370 |
| Real estate residential | 75 | 9,576 | 19 | 3,502 |
| Consumer installment | 1 | 5 | | |
| Total | 101 | $ 16,960 | 29 | $ 10,840 |