

Ameris Bancorp  
Form 10-Q  
May 10, 2012  
Table of Contents

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

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended March 31, 2012**

**OR**

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

**Commission File Number: 001-13901**

**AMERIS BANCORP**

Edgar Filing: Ameris Bancorp - Form 10-Q

(Exact name of registrant as specified in its charter)

**GEORGIA**  
(State of incorporation)

**58-1456434**  
(IRS Employer ID No.)

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

(Address of principal executive offices)

**(229) 890-1111**

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company

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

There were 23,814,144 shares of Common Stock outstanding as of April 30, 2012.

**Table of Contents**

**AMERIS BANCORP**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I FINANCIAL INFORMATION</b>	
<b>Item 1. <u>Financial Statements.</u></b>	
<u>Consolidated Balance Sheets at March 31, 2012, December 31, 2011 and March 31, 2011</u>	3
<u>Consolidated Statements of Earnings and Comprehensive Income for the Three Months Ended March 31, 2012 and 2011</u>	4
<u>Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended March 31, 2012 and 2011</u>	5
<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2012 and 2011</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
<b>Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u></b>	36
<b>Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u></b>	47
<b>Item 4. <u>Controls and Procedures.</u></b>	47
<b>PART II OTHER INFORMATION</b>	
<b>Item 1. <u>Legal Proceedings.</u></b>	48
<b>Item 1A. <u>Risk Factors.</u></b>	48
<b>Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u></b>	48
<b>Item 3. <u>Defaults Upon Senior Securities.</u></b>	48
<b>Item 4. <u>Mine Safety Disclosures.</u></b>	48
<b>Item 5. <u>Other Information.</u></b>	48
<b>Item 6. <u>Exhibits.</u></b>	48
<b><u>Signatures</u></b>	48

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

(Dollars in Thousands)

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)	March 31, 2011 (Unaudited)
<b>Assets</b>			
Cash and due from banks	\$ 64,963	\$ 65,528	\$ 88,386
Federal funds sold and interest bearing accounts	194,172	229,042	264,508
Investment securities available for sale, at fair value	371,791	339,967	305,620
Other investments	10,967	9,878	12,436
Mortgage loans held for sale	14,863	11,563	
Loans	1,323,844	1,332,086	1,345,981
Covered loans	653,377	571,489	526,012
Less: allowance for loan losses	28,689	35,156	35,443
Loans, net	1,948,532	1,868,419	1,836,550
Other real estate owned	40,035	50,301	62,258
Covered other real estate owned	85,803	78,617	59,757
Total other real estate owned	125,838	128,918	122,015
Premises and equipment, net	72,755	73,124	66,359
FDIC indemnification asset	220,016	242,394	167,176
Intangible assets	4,179	3,250	3,973
Goodwill	956	956	956
Other assets	14,202	21,268	50,444
Total assets	\$ 3,043,234	\$ 2,994,307	\$ 2,918,423
<b>Liabilities and Stockholders Equity</b>			
<b>Liabilities</b>			
Deposits:			
Noninterest-bearing	\$ 444,707	\$ 395,347	\$ 316,060
Interest-bearing	2,220,653	2,196,219	2,256,629
Total deposits	2,665,360	2,591,566	2,572,689
Securities sold under agreements to repurchase	28,790	37,665	20,257
Other borrowings	3,810	20,000	
Other liabilities	5,308	9,037	9,351
Subordinated deferrable interest debentures	42,269	42,269	42,269
Total liabilities	2,745,537	2,700,537	2,644,566
Commitments and contingencies			

## Edgar Filing: Ameris Bancorp - Form 10-Q

### Stockholders' Equity

Preferred stock, stated value \$1,000; 5,000,000 shares authorized; 52,000 shares issued and outstanding	50,884	50,727	50,269
Common stock, par value \$1; 30,000,000 shares authorized; 25,150,318, 25,087,468 and 25,102,218 issued	25,150	25,087	25,102
Capital surplus	166,579	166,639	165,995
Retained earnings	59,402	54,852	37,580
Accumulated other comprehensive income	6,513	7,296	5,742
Treasury stock, at cost, 1,336,174 shares	(10,831)	(10,831)	(10,831)
<b>Total stockholders' equity</b>	<b>297,697</b>	<b>293,770</b>	<b>273,857</b>
Total liabilities and stockholders' equity	\$ 3,043,234	\$ 2,994,307	\$ 2,918,423

**See notes to unaudited consolidated financial statements**

**Table of Contents****AMERIS BANCORP AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**

(dollars in thousands, except per share data)

(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Interest income</b>		
Interest and fees on loans	\$ 29,482	\$ 28,971
Interest on taxable securities	2,309	2,658
Interest on nontaxable securities	365	320
Interest on deposits in other banks	120	175
Interest on federal funds sold	6	13
<b>Total interest income</b>	<b>32,282</b>	<b>32,137</b>
<b>Interest expense</b>		
Interest on deposits	4,084	7,375
Interest on other borrowings	471	555
<b>Total interest expense</b>	<b>4,555</b>	<b>7,930</b>
Net interest income	27,727	24,207
<b>Provision for loan losses</b>	<b>12,882</b>	<b>7,043</b>
Net interest income after provision for loan losses	14,845	17,164
<b>Noninterest income</b>		
Service charges on deposit accounts	4,386	4,267
Mortgage origination fees	1,475	450
Other service charges, commissions and fees	391	239
Gain on acquisition	20,037	
Gain on sale of securities		224
Other	975	1,013
<b>Total noninterest income</b>	<b>27,264</b>	<b>6,193</b>
<b>Noninterest expense</b>		
Salaries and employee benefits	11,446	9,843
Occupancy and equipment expense	3,335	2,730
Advertising and marketing expense	349	163
Amortization of intangible assets	220	263
Data processing and communications costs	1,925	2,396
Other operating expenses	16,971	5,760
<b>Total noninterest expense</b>	<b>34,246</b>	<b>21,155</b>

Edgar Filing: Ameris Bancorp - Form 10-Q

Income before income tax expense	7,863	2,202
Applicable income tax expense	2,498	824
<b>Net income</b>	<b>\$ 5,365</b>	<b>\$ 1,378</b>
Preferred stock dividends	815	798
<b>Net income available to common stockholders</b>	<b>\$ 4,550</b>	<b>\$ 580</b>
<b>Other comprehensive loss</b>		
Unrealized holding loss arising during period on investment securities available for sale, net of tax	(689)	(262)
Reclassification adjustment for gains included in net income, net of tax		(146)
Unrealized loss on cash flow hedges arising during period, net of tax	(94)	(54)
<b>Other comprehensive loss</b>	<b>\$ (783)</b>	<b>\$ (462)</b>
<b>Comprehensive income</b>	<b>\$ 3,767</b>	<b>\$ 118</b>
<b>Basic and Diluted earnings per share</b>	<b>\$ 0.19</b>	<b>\$ 0.02</b>
<b>Weighted average common shares outstanding</b>		
Basic	23,762	23,440
Diluted	23,916	23,474
<b>See notes to unaudited consolidated financial statements</b>		

**Table of Contents****AMERIS BANCORP AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011	
	Shares	Amount	Shares	Amount
<b>PREFERRED STOCK</b>				
Balance at beginning of period	52,000	\$ 50,727	52,000	\$ 50,121
Accretion of fair value of warrant		157		148
<b>Balance at end of period</b>	<b>52,000</b>	<b>\$ 50,884</b>	<b>52,000</b>	<b>\$ 50,269</b>
<b>COMMON STOCK</b>				
Balance at beginning of period	25,087,468	\$ 25,087	24,982,911	\$ 24,983
Issuance of restricted shares	62,450	62	125,075	125
Cancellation of restricted shares			(7,000)	(7)
Proceeds from exercise of stock options	400	1	1,232	1
<b>Balance at end of period</b>	<b>25,150,318</b>	<b>\$ 25,150</b>	<b>25,102,218</b>	<b>\$ 25,102</b>
<b>CAPITAL SURPLUS</b>				
Balance at beginning of period		\$ 166,639		\$ 165,930
Stock-based compensation				174
Proceeds from exercise of stock options		2		9
Issuance of restricted shares		(62)		(125)
Cancellation of restricted shares				7
<b>Balance at end of period</b>		<b>\$ 166,579</b>		<b>\$ 165,995</b>
<b>RETAINED EARNINGS</b>				
Balance at beginning of period		\$ 54,852		\$ 37,000
Net income		5,365		1,378
Dividends on preferred shares		(657)		(650)
Accretion of fair value warrant		(158)		(148)
<b>Balance at end of period</b>		<b>\$ 59,402</b>		<b>\$ 37,580</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX</b>				
Unrealized gains on securities and derivatives:				
Balance at beginning of period		\$ 7,296		\$ 6,204
Accumulated other comprehensive income		(783)		(462)
<b>Balance at end of period</b>		<b>\$ 6,513</b>		<b>\$ 5,742</b>
<b>TREASURY STOCK</b>				
Balance at beginning of period		\$ 10,831		\$ 10,831
Purchase of treasury shares				



Edgar Filing: Ameris Bancorp - Form 10-Q

<i>Balance at end of period</i>	\$ 10,831	\$ 10,831
<b><i>TOTAL STOCKHOLDERS EQUITY</i></b>	<b>\$ 297,697</b>	<b>\$ 273,857</b>

See notes to unaudited consolidated financial statements.

**Table of Contents**

**AMERIS BANCORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in Thousands)

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
<b>Cash flows from operating activities:</b>		
Net income	\$ 5,365	\$ 1,378
Adjustments reconciling net income to net cash provided by operating activities:		
Depreciation	1,143	1,112
Net gains on sale or disposal of premises and equipment	(4)	(189)
Gain on acquisition	(20,037)	
Net losses or write-downs on sale of other real estate owned	7,252	33
Provision for loan losses	12,882	7,043
Amortization of intangible assets	220	263
Net change in mortgage loans held for sale	(3,300)	
Net gains on securities available for sale		(224)
Other prepaids, deferrals and accruals, net	4,201	(162)
<b>Net cash provided by operating activities</b>	<b>7,722</b>	<b>9,254</b>
<b>Cash flows from investing activities:</b>		
Net decrease (increase) in federal funds sold and interest bearing deposits	34,870	(3,246)
Proceeds from maturities of securities available for sale	21,912	12,922
Purchase of securities available for sale	(15,637)	(19,869)
Proceeds from sales of securities available for sale	760	23,503
Net change in loans	17,496	37,682
Proceeds from sales of other real estate owned	16,296	9,306
Proceeds from sales of premises and equipment	305	344
Decrease in FDIC indemnification asset	75,032	502
Net cash proceeds received from FDIC-assisted acquisitions	65,050	
Purchases of premises and equipment	(1,075)	(1,539)
<b>Net cash provided by investing activities</b>	<b>215,009</b>	<b>59,605</b>
<b>Cash Flows From Financing Activities:</b>		
Net (decrease) increase in deposits	(187,242)	37,263
Net decrease in securities sold under agreements to repurchase	(8,875)	(47,927)
Repayment of other borrowings	(26,524)	(43,495)
Dividends paid - preferred stock	(657)	(650)
Proceeds from exercise of stock options	2	10
<b>Net cash used in financing activities</b>	<b>(223,296)</b>	<b>(54,799)</b>
<b>Net (decrease) increase in cash and due from banks</b>	<b>(565)</b>	<b>14,060</b>
<b>Cash and due from banks at beginning of period</b>	<b>65,528</b>	<b>74,326</b>

<b>Cash and due from banks at end of period</b>	\$ 64,963	\$ 88,386
---	-----------	-----------

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid/(received) during the period for:

Interest	\$ 5,098	\$ 8,494
Income taxes	\$	\$

**See notes to unaudited consolidated financial statements**

**Table of Contents**

**AMERIS BANCORP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2012**

**(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, 2012 the Bank operated 67 branches in select markets in Georgia, Alabama, Florida and South Carolina. Our business model capitalizes on the efficiencies of a large financial services company while still providing the community with the personalized banking service expected by our customers. We manage our Bank through a balance of decentralized management responsibilities and efficient centralized operating systems, products and loan underwriting standards. Ameris Board of Directors and senior managers establish corporate policy, strategy and administrative policies. Within Ameris established guidelines and policies, the banker closest to the customer responds to the differing needs and demands of his or her unique market.

The accompanying unaudited consolidated financial statements for Ameris have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. The interim consolidated financial statements included herein are unaudited, but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the period ended March 31, 2012 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, 2011.

***Newly Adopted Accounting Pronouncements***

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

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

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

---

## **Table of Contents**

### ***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:** Mortgage loans held-for-sale are carried at cost, which is a reasonable estimate of fair value.

**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 based on estimated discounted 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 accounting standards 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 2 assets due to the extensive use of market appraisals. To the extent that market appraisals or other methods do not produce reliable determinations of fair value, these assets are deemed to be Level 3.

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

## Edgar Filing: Ameris Bancorp - Form 10-Q

**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.

## Table of Contents

**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 Indemnification Asset:** 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).

**Table of Contents**

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

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

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

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

	December 31, 2011		March 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Dollars in Thousands)				
<b>Financial assets:</b>				
Loans, net	\$ 1,868,419	\$ 1,877,320	\$ 1,836,550	\$ 1,845,963
<b>Financial liabilities:</b>				
Deposits	2,591,566	2,593,113	2,572,689	2,576,253
Other borrowings	20,000	20,936		



**Table of Contents**

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, 2012, December 31, 2011 and March 31, 2011 (dollars in thousands):

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	\$ 28,848	\$	\$ 28,848	\$
State, county and municipal securities	81,997		81,997	
Corporate debt securities	11,385		9,385	2,000
Mortgage-backed securities	249,561	2,292	247,269	
Derivative financial instruments	(2,089)		(2,089)	
Total recurring assets at fair value	\$ 369,702	\$ 2,292	\$ 365,410	\$ 2,000

**Fair Value Measurements on a Recurring Basis  
As of December 31, 2011**

	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	\$ 14,937	\$	\$ 14,937	\$
State, county and municipal securities	79,133	2,966	76,167	
Corporate debt securities	11,401		9,401	2,000
Mortgage-backed securities	234,496	3,302	231,194	
Derivative financial instruments	(2,049)		(2,049)	
Total recurring assets at fair value	\$ 337,918	\$ 6,268	\$ 329,650	\$ 2,000

**Fair Value Measurements on a Recurring Basis  
As of March 31, 2011**

	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	\$ 33,545	\$	\$ 33,545	\$
State, county and municipal securities	56,898		56,898	
Corporate debt securities	9,749		7,749	2,000
Mortgage-backed securities	205,428	12,764	192,664	
Derivative financial instruments	598		598	

Edgar Filing: Ameris Bancorp - Form 10-Q

Total recurring assets at fair value	\$ 306,218	\$ 12,764	\$ 291,454	\$ 2,000
--------------------------------------	------------	-----------	------------	----------

**Table of Contents**

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, 2012, December 31, 2011 and March 31, 2011 (dollars in thousands):

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans carried at fair value	\$ 69,606	\$	\$ 69,606	\$
Other real estate owned	40,035			40,035
Covered loans	653,377			653,377
Covered other real estate owned	85,803			85,803
<b>Total nonrecurring assets at fair value</b>	<b>\$ 848,821</b>	<b>\$</b>	<b>\$ 69,606</b>	<b>\$ 779,215</b>

**Fair Value Measurements on a Nonrecurring Basis  
As of December 31, 2011**

	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	\$ 70,296	\$	\$ 70,296	\$
Other real estate owned	50,301			50,301
Covered loans	571,489			571,489
Covered other real estate owned	78,617			78,617
<b>Total nonrecurring assets at fair value</b>	<b>\$ 770,703</b>	<b>\$</b>	<b>\$ 70,296</b>	<b>\$ 700,407</b>

**Fair Value Measurements on a Nonrecurring Basis  
As of March 31, 2011**

	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	\$ 68,391	\$	\$ 68,391	\$
Other real estate owned	62,258			62,258
Covered loans	524,105			524,105
Covered other real estate owned	59,757			59,757
<b>Total nonrecurring assets at fair value</b>	<b>\$ 714,511</b>	<b>\$</b>	<b>\$ 68,391</b>	<b>\$ 646,120</b>



**Table of Contents**

Below is the Company's reconciliation of Level 3 assets as of March 31, 2012.

	Investment Securities Available for Sale	Other Real Estate Owned	Covered Loans	Covered Other Real Estate Owned
Beginning balance January 1, 2012	\$ 2,000	\$ 50,301	\$ 571,489	\$ 78,617
Total gains/(losses) included in net income		(6,538)		(714)
Purchases, sales, issuances, and settlements, net		(8,799)	91,108	(1,320)
Transfers in or out of Level 3		5,071	(9,220)	9,220
<b>Ending balance March 31, 2012</b>	<b>\$ 2,000</b>	<b>\$ 40,035</b>	<b>\$ 653,377</b>	<b>\$ 85,803</b>

**NOTE 2 INVESTMENT SECURITIES**

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

The amortized cost and estimated fair value of investment securities available for sale at March 31, 2012, December 31, 2011 and March 31, 2011 are presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(Dollars in Thousands)				
<b>March 31, 2012:</b>				
U. S. government agencies	\$ 28,634	\$ 258	\$ (44)	\$ 28,848
State, county and municipal securities	78,440	3,723	(166)	81,997
Corporate debt securities	11,639	217	(471)	11,385
Mortgage-backed securities	244,232	5,573	(244)	249,561
Total debt securities	\$ 362,945	\$ 9,771	\$ (925)	\$ 371,791
<b>December 31, 2011:</b>				
U. S. government agencies	\$ 14,670	\$ 267	\$	\$ 14,937
State, county and municipal securities	75,665	3,558	(90)	79,133
Corporate debt securities	11,640	167	(406)	11,401
Mortgage-backed securities	228,085	6,559	(148)	234,496
Total debt securities	\$ 330,060	\$ 10,551	\$ (644)	\$ 339,967
<b>March 31, 2011:</b>				
U. S. government agencies	\$ 33,137	\$ 455	\$ (47)	\$ 33,545
State, county and municipal securities	55,971	1,310	(383)	56,898
Corporate debt securities	12,150	168	(2,569)	9,749
Mortgage-backed securities	202,204	5,143	(1,919)	205,428

Edgar Filing: Ameris Bancorp - Form 10-Q

Total debt securities	\$ 303,462	\$ 7,076	\$ (4,918)	\$ 305,620
-----------------------	------------	----------	------------	------------

**Table of Contents**

The amortized cost and fair value of available-for-sale securities at March 31, 2012 by contractual maturity are summarized in the table below. Expected maturities for mortgage-backed securities may differ from contractual maturities because in certain cases borrowers can prepay obligations without prepayment penalties. Therefore, these securities are not included in the following maturity summary.

	Amortized Cost (Dollars in Thousands)	Fair Value
Due in one year or less	\$ 16,167	\$ 16,220
Due from one year to five years	18,833	19,527
Due from five to ten years	43,629	46,232
Due after ten years	40,084	40,251
Mortgage-backed securities	244,232	249,561
	\$ 362,945	\$ 371,791

Securities with a carrying value of approximately \$208.1 million serve as collateral to secure public deposits and other purposes required or permitted by law at March 31, 2012.

The following table details the gross unrealized losses and fair value of securities aggregated by category and duration of continuous unrealized loss position at March 31, 2012, December 31, 2011 and March 31, 2011.

Description of Securities	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in Thousands)						
<b>March 31, 2012:</b>						
U. S. government agencies	\$ 8,960	\$ (44)	\$	\$	\$ 8,960	\$ (44)
State, county and municipal securities	8,960	(166)			8,960	(166)
Corporate debt securities	100		6,611	(471)	6,711	(471)
Mortgage-backed securities	37,860	(234)	2,292	(10)	40,152	(244)
Total debt securities	\$ 55,880	\$ (444)	\$ 8,903	\$ (481)	\$ 64,783	\$ (925)
<b>December 31, 2011:</b>						
U. S. government agencies	\$	\$	\$	\$	\$	\$
State, county and municipal securities	10,134	(90)			10,134	(90)
Corporate debt securities	100		6,681	(406)	6,781	(406)
Mortgage-backed securities	20,929	(148)			20,929	(148)
Total debt securities	\$ 31,163	\$ (238)	\$ 6,681	\$ (406)	\$ 37,844	\$ (644)
<b>March 31, 2011:</b>						
U. S. government agencies	\$ 11,037	\$ (47)	\$	\$	\$ 11,037	\$ (47)
State, county and municipal securities	12,171	(383)			12,171	(383)
Corporate debt securities	413	(26)	5,067	(2,543)	5,480	(2,569)
Mortgage-backed securities	75,721	(1,919)			75,721	(1,919)
Total debt securities	\$ 99,342	\$ (2,375)	\$ 5,067	\$ (2,543)	\$ 104,409	\$ (4,918)





**Table of Contents**

**NOTE 3 LOANS**

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

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

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

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

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

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Commercial, financial and agricultural	\$ 149,320	\$ 142,960	\$ 142,826
Real estate construction and development	122,331	130,270	152,863
Real estate commercial and farmland	658,054	672,765	672,212
Real estate residential	328,053	330,727	336,755
Consumer installment	42,085	37,296	33,698
Other	24,001	18,068	7,627
	<b>\$ 1,323,844</b>	<b>\$ 1,332,086</b>	<b>\$ 1,345,981</b>

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 \$653.4 million, \$571.5 million and \$526.0 million at March 31, 2012, December 31, 2011 and March 31, 2011, respectively, are not included in the above schedule.

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

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Commercial, financial and agricultural	\$ 43,157	\$ 41,867	\$ 45,954
Real estate construction and development	93,430	77,077	89,356

## Edgar Filing: Ameris Bancorp - Form 10-Q

Real estate commercial and farmland	350,244	321,257	242,153
Real estate residential	162,768	127,644	140,239
Consumer installment	3,778	3,644	8,310
	\$ 653,377	\$ 571,489	\$ 526,012

**Table of Contents****Nonaccrual and Past Due Loans**

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged to interest income. Interest on loans that are classified as non-accrual is recognized when received. Past due loans are loans whose principal or interest is past due 90 days or more. In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the original contractual terms.

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

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Commercial, financial and agricultural	\$ 4,732	\$ 3,987	\$ 5,966
Real estate construction and development	10,647	15,020	17,893
Real estate commercial and farmland	21,539	35,385	28,313
Real estate residential	14,065	15,498	15,557
Consumer installment	1,275	933	662
	\$ 52,258	\$ 70,823	\$ 68,391

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

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Commercial, financial and agricultural	\$ 14,185	\$ 11,952	\$ 9,149
Real estate construction and development	35,170	30,977	28,364
Real estate commercial and farmland	79,620	75,458	44,110
Real estate residential	40,609	41,139	34,701
Consumer installment	637	473	1,488
	\$ 170,221	\$ 159,999	\$ 117,812

**Table of Contents**

The following table presents an analysis of non-covered past due loans as of March 31, 2012, December 31, 2011 and March 31, 2011.

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

	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)							
<b>As of December 30, 2011:</b>							
Commercial, financial & agricultural	\$ 1,103	\$ 705	\$ 3,975	\$ 5,783	\$ 137,177	\$ 142,960	\$
Real estate construction & development	2,395	1,507	13,608	17,510	112,760	130,270	
Real estate commercial & farmland	6,686	7,071	32,953	46,710	626,055	672,765	
Real estate residential	5,229	4,995	12,874	23,098	307,629	330,727	
Consumer installment loans	963	305	725	1,993	35,303	37,296	
Other					18,068	18,068	
Total	\$ 16,376	\$ 14,583	\$ 64,135	\$ 95,094	\$ 1,236,992	\$ 1,332,086	\$

	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)							
<b>As of March 31, 2011:</b>							
Commercial, financial & agricultural	\$ 848	\$ 695	\$ 5,923	\$ 7,466	\$ 135,360	\$ 142,826	\$
Real estate construction & development	2,324	1,864	16,011	20,199	132,664	152,863	
Real estate commercial & farmland	7,127	7,315	17,883	32,325	639,887	672,212	
Real estate residential	4,314	2,732	13,480	20,526	316,229	336,755	
Consumer installment loans	409	177	444	1,030	32,668	33,698	
Other					7,627	7,627	

Edgar Filing: Ameris Bancorp - Form 10-Q

Total	\$ 15,022	\$ 12,783	\$ 53,741	\$ 81,546	\$ 1,264,435	\$ 1,345,981	\$
-------	-----------	-----------	-----------	-----------	--------------	--------------	----

**Table of Contents**

The following table presents an analysis of covered past due loans as of March 31, 2012, December 31, 2011 and March 31, 2011.

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

	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)							
<b>As of December 30, 2011:</b>							
Commercial, financial & agricultural	\$ 968	\$ 4,297	\$ 11,253	\$ 16,518	\$ 25,349	\$ 41,867	\$
Real estate construction & development	2,444	1,318	27,867	31,629	45,448	77,077	
Real estate commercial & farmland	18,282	8,544	64,091	90,917	230,340	321,257	165
Real estate residential	3,485	1,493	35,950	40,928	86,716	127,644	290
Consumer installment loans	127	270	440	837	2,807	3,644	
<b>Total</b>	<b>\$ 25,306</b>	<b>\$ 15,922</b>	<b>\$ 139,601</b>	<b>\$ 180,829</b>	<b>\$ 390,660</b>	<b>\$ 571,489</b>	<b>\$ 455</b>

	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)							
<b>As of March 31, 2011:</b>							
Commercial, financial & agricultural	\$ 963	\$ 3,511	\$ 8,223	\$ 12,697	\$ 33,257	\$ 45,954	\$
Real estate construction & development	1,870	3,233	27,717	32,820	56,536	89,356	532
Real estate commercial & farmland	9,144	11,607	38,496	59,247	182,906	242,153	402
Real estate residential	6,669	5,268	34,423	46,360	93,879	140,239	3,006
Consumer installment loans	118	99	1,394	1,611	6,699	8,310	
<b>Total</b>	<b>\$ 18,764</b>	<b>\$ 23,718</b>	<b>\$ 110,253</b>	<b>\$ 152,735</b>	<b>\$ 373,277</b>	<b>\$ 526,012</b>	<b>\$ 3,940</b>



**Table of Contents****Impaired Loans**

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

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

	As of and For the Period Ended		
	March 31, 2012	December 31, 2011	March 31, 2011
	(Dollars in Thousands)		
Nonaccrual loans	\$ 52,258	\$ 70,823	\$ 68,391
Troubled debt restructurings not included above	26,848	17,951	25,832
<b>Total impaired loans</b>	<b>\$ 79,106</b>	<b>\$ 88,774</b>	<b>\$ 94,223</b>
Impaired loans not requiring a related allowance	\$	\$	\$
Impaired loans requiring a related allowance	\$ 79,106	\$ 88,774	\$ 94,223
Allowance related to impaired loans	\$ 9,500	\$ 18,478	\$ 16,821
Average investment in impaired loans	\$ 83,940	\$ 88,320	\$ 88,761
Interest income recognized on impaired loans	\$ 57	\$ 637	\$ 75
Foregone interest income on impaired loans	\$ 187	\$ 613	\$ 389

The following table presents an analysis of information pertaining to non-covered impaired loans as of March 31, 2012, December 31, 2011 and March 31, 2011.

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



Edgar Filing: Ameris Bancorp - Form 10-Q

Total	\$ 99,526	\$	\$ 79,106	\$ 79,106	\$ 9,500	\$ 83,940
-------	-----------	----	-----------	-----------	----------	-----------

**Table of Contents**

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
<b>As of December 31, 2011:</b>						
Commercial, financial & agricultural	\$ 9,592	\$	\$ 5,110	\$ 5,110	\$ 1,366	\$ 5,700
Real estate construction & development	21,893		15,672	15,672	4,053	18,667
Real estate commercial & farmland	48,688		45,006	45,006	8,331	42,192
Real estate residential	25,309		22,053	22,053	4,499	21,081
Consumer installment loans	1,056		933	933	229	680
<b>Total</b>	<b>\$ 106,538</b>	<b>\$</b>	<b>\$ 88,774</b>	<b>\$ 88,774</b>	<b>\$ 18,478</b>	<b>\$ 88,320</b>

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
<b>As of March 31, 2011:</b>						
Commercial, financial & agricultural	\$ 9,419	\$	\$ 6,397	\$ 6,397	\$ 2,425	\$ 5,872
Real estate construction & development	33,590		20,801	20,801	4,254	20,052
Real estate commercial & farmland	51,874		45,731	45,731	5,584	44,281
Real estate residential	23,440		20,632	20,632	4,405	18,026
Consumer installment loans	890		662	662	153	530
<b>Total</b>	<b>\$ 119,213</b>	<b>\$</b>	<b>\$ 94,223</b>	<b>\$ 94,223</b>	<b>\$ 16,821</b>	<b>\$ 88,761</b>

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

	<b>As of and For the Period Ended</b>		
	<b>March 31, 2012</b>	<b>December 31, 2011</b>	<b>March 31, 2011</b>
	(Dollars in Thousands)		
Nonaccrual loans	\$ 170,221	\$ 159,999	\$ 117,812
Troubled debt restructurings not included above	18,220	19,884	8,859
<b>Total impaired loans</b>	<b>\$ 188,441</b>	<b>\$ 179,883</b>	<b>\$ 126,671</b>
Impaired loans not requiring a related allowance	\$ 188,441	\$ 179,883	\$ 126,671
Impaired loans requiring a related allowance	\$	\$	\$
Allowance related to impaired loans	\$	\$	\$
<b>Average investment in impaired loans</b>	<b>\$ 184,162</b>	<b>\$ 138,950</b>	<b>\$ 107,497</b>
Interest income recognized on impaired loans	\$ 179	\$ 526	\$ 286

Edgar Filing: Ameris Bancorp - Form 10-Q

Foregone interest income on impaired loans	\$	441	\$	202	\$	32
--	----	-----	----	-----	----	----

**Table of Contents**

The following table presents an analysis of information pertaining to impaired covered loans as of March 31, 2012, December 31, 2011 and March 31, 2011.

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

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
<b>As of December 31, 2011:</b>						
Commercial, financial & agricultural	\$ 21,352	\$ 12,027	\$	\$ 12,027	\$	\$ 10,210
Real estate construction & development	47,005	34,363		34,363		30,610
Real estate commercial & farmland	106,953	84,740		84,740		56,607
Real estate residential	68,411	48,280		48,280		40,675
Consumer installment loans	623	473		473		848
<b>Total</b>	<b>\$ 244,344</b>	<b>\$ 179,883</b>	<b>\$</b>	<b>\$ 179,883</b>	<b>\$</b>	<b>\$ 138,950</b>

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
<b>As of March 31, 2011:</b>						
Commercial, financial & agricultural	\$ 17,627	\$ 9,207	\$	\$ 9,207	\$	\$ 7,482
Real estate construction & development	74,222	28,365		28,365		27,088
Real estate commercial & farmland	77,769	45,760		45,760		37,639
Real estate residential	67,307	41,851		41,851		33,983
Consumer installment loans	1,619	1,488		1,488		1,305
<b>Total</b>	<b>\$ 238,544</b>	<b>\$ 126,671</b>	<b>\$</b>	<b>\$ 126,671</b>	<b>\$</b>	<b>\$ 107,497</b>

---

## **Table of Contents**

### **Credit Quality Indicators**

The Company uses a nine category risk grading system to assign a risk grade to each loan in the portfolio. 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, 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, divorce); (iii) loans that require more than the normal servicing requirements (such as any type of construction financing, acquisition and development loans, accounts receivable or inventory loans and floor plan loans); (iv) existing technical exceptions which raise some doubts about the Bank's perfection in its collateral position or the continued financial capacity of the borrower; or (v) improvements in formerly criticized borrowers, which may warrant banker supervision.

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

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

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

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

Edgar Filing: Ameris Bancorp - Form 10-Q

**Table of Contents**

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

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland			Real estate - residential	Consumer installment loans	Other	Total
			(Dollars in Thousands)						
10	\$ 18,767	\$ 19	\$ 211	\$ 415	\$ 7,042	\$	\$	\$ 26,454	
15	14,063	5,402	155,568	80,623	1,198			256,854	
20	63,200	33,805	269,746	85,022	19,478	24,001		495,252	
23	265	8,458	9,188	11,719	1			29,631	
25	44,035	58,943	164,642	107,530	11,983			387,133	
30	3,148	1,955	20,551	16,135	540			42,329	
40	5,716	13,459	38,148	26,515	1,828			85,666	
50	123	290		94	15			522	
60	3							3	
Total	\$ 149,320	\$ 122,331	\$ 658,054	\$ 328,053	\$ 42,085	\$ 24,001		\$ 1,323,844	

The following table presents the non-covered loan portfolio by risk grade as of December 31, 2011.

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	\$ 17,213	\$ 20	\$ 235	\$ 252	\$ 6,210	\$	\$	\$ 23,930	
15	15,379	5,391	151,068	88,586	1,065			261,489	
20	60,631	32,654	272,241	80,989	20,781	18,068		485,364	
23	32	7,994	10,679	10,997	28			29,730	
25	42,815	62,029	163,554	110,786	7,181			386,365	
30	2,509	2,027	21,490	15,001	557			41,584	
40	4,258	19,864	53,498	23,867	1,460			102,947	
50	123	291		249	14			677	
60									
Total	\$ 142,960	\$ 130,270	\$ 672,765	\$ 330,727	\$ 37,296	\$ 18,068		\$ 1,332,086	

The following table presents the non-covered loan portfolio by risk grade as of March 31, 2011.

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	\$ 14,048	\$ 220	\$ 1,104	\$ 111	\$ 5,451	\$	\$	\$ 20,934	
15	11,087	2,395	137,897	36,377	907			188,663	
20	50,300	38,200	267,341	115,189	18,573	7,627		497,230	
23	2,244	7,775	8,533	8,167	30			26,749	

Edgar Filing: Ameris Bancorp - Form 10-Q

25	55,843	69,541	165,089	137,846	7,460	435,779
30	1,913	7,568	41,089	14,129	573	65,272
40	7,386	26,889	51,158	24,936	672	111,041
50	5	275			6	286
60			1		26	27
Total	\$ 142,826	\$ 152,863	\$ 672,212	\$ 336,755	\$ 33,698	\$ 1,345,981

**Table of Contents**

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

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	\$ 216	\$ 9	\$	\$ 1,036	\$ 458	\$	\$ 1,719
15	26	51	1,734	579	12		2,402
20	4,592	5,541	24,784	17,716	622		53,255
23	11	1,534	3,763	1,686			6,994
25	17,075	31,707	157,031	75,809	1,550		283,172
30	2,400	10,628	49,518	12,044	102		74,692
40	18,837	43,960	113,414	53,898	1,034		231,143
50							
60							
Total	\$ 43,157	\$ 93,430	\$ 350,244	\$ 162,768	\$ 3,778	\$	\$ 653,377

The following table presents the covered loan portfolio by risk grade as of December 31, 2011.

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	\$ 442	\$	\$	\$ 1,329	\$ 768	\$	\$ 2,539
15	29	52	1,755	586	14		2,436
20	4,807	5,751	26,211	19,216	687		56,672
23		1,177	3,262	1,038			5,477
25	15,531	21,142	137,981	43,606	1,308		219,568
30	5,882	10,654	49,642	12,374	172		78,724
40	15,176	38,273	102,406	49,495	695		206,045
50		28					28
60							
Total	\$ 41,867	\$ 77,077	\$ 321,257	\$ 127,644	\$ 3,644	\$	\$ 571,489

The following table presents the covered loan portfolio by risk grade as of March 31, 2011.

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	\$ 965	\$	\$	\$	\$ 1,139	\$	\$ 2,104
15	66	54	1,409	372	22		1,923
20	10,601	6,832	18,539	21,190	1,357		58,519
23							



Edgar Filing: Ameris Bancorp - Form 10-Q

25	14,443	21,023	93,423	53,379	3,614	185,882
30	5,646	15,590	41,345	12,798	331	75,710
40	13,979	45,857	87,437	52,460	1,847	201,580
50	209			40		249
60	45					45
Total	\$ 45,954	\$ 89,356	\$ 242,153	\$ 140,239	\$ 8,310	\$ 526,012

**Table of Contents****Troubled Debt Restructurings**

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

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

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

In the normal course of business, the Company renews loans with a modification of the interest rate or terms that are not deemed as troubled debt restructurings because the borrower is not experiencing financial difficulty. The Company modified loans in the first three months of 2012 totaling \$11.4 million and loans in 2011 totaling \$37.2 million under such parameters. In addition, the Company offers consumer loan customers an annual skip-a-pay program that is based on certain qualifying parameters and not based on financial difficulties. The Company does not treat these as troubled debt restructurings.

The following table presents the amount of troubled debt restructurings by loan class, classified separately as accrual and non-accrual at March 31, 2012 and December 31, 2011.

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

  

<i>As of December 31, 2011</i>		Accruing Loans		Non-Accruing Loans	
		#	Balance <i>(in thousands)</i>	#	Balance <i>(in thousands)</i>
Loan class:					
Real estate	construction & development	6	\$ 1,774	5	\$ 2,122
Real estate	commercial & farmland	14	9,622	2	4,737
Real estate	residential	19	6,555	4	1,296

Edgar Filing: Ameris Bancorp - Form 10-Q

Total	39	\$	17,951	11	\$	8,155
-------	----	----	--------	----	----	-------

**Table of Contents**

The following table presents the amount of troubled debt restructurings by loan class, classified separately as those currently paying under restructured terms and those that have defaulted under restructured terms at March 31, 2012 and December 31, 2011.

<i>As of March 31, 2012</i>		Loans Currently Paying Under Restructured Terms		Loans that have Defaulted Under Restructured Terms	
		#	Balance (in thousands)	#	Balance (in thousands)
Loan class:					
Real estate	construction & development	7	\$ 2,413	3	\$ 518
Real estate	commercial & farmland	19	17,869	1	2,072
Real estate	residential	22	7,778	3	1,065
Total		48	\$ 28,060	7	\$ 3,655

<i>As of December 31, 2011</i>		Loans Currently Paying Under Restructured Terms		Loans that have Defaulted Under Restructured Terms	
		#	Balance (in thousands)	#	Balance (in thousands)
Loan class:					
Real estate	construction & development	7	\$ 2,897	4	\$ 999
Real estate	commercial & farmland	15	11,695	1	2,664
Real estate	residential	20	6,862	3	989
Total		42	\$ 21,454	8	\$ 4,652

The following table presents the amount of troubled debt restructurings by types of concessions made, classified separately as accrual and non-accrual at March 31, 2012 and December 31, 2011.

<i>As of March 31, 2012</i>		Accruing Loans		Non-Accruing Loans	
		#	Balance (in thousands)	#	Balance (in thousands)
Type of Concession:					
	Forbearance of Interest	3	\$ 2,275		\$
	Forgiveness of Principal	2	893	1	136
	Payment Modification Only	2	5,202	1	307
	Rate Reduction Only	10	6,541	4	1,140
	Rate Reduction, Forbearance of Interest	12	8,360	1	103
	Rate Reduction, Forbearance of Principal	16	3,514	1	1,109
	Rate Reduction, Payment Modification	1	63	1	2,072
Total		46	\$ 26,848	9	\$ 4,867

<i>As of December 31, 2011</i>		Accruing Loans		Non-Accruing Loans	
		#	Balance (in thousands)	#	Balance (in thousands)
Type of Concession:					
	Forbearance of Interest	1	\$ 311		\$
	Forgiveness of Principal	2	902	1	136
	Payment Modification Only	1	92	1	307

## Edgar Filing: Ameris Bancorp - Form 10-Q

Rate Reduction Only	7	4,192	4	1,145
Rate Reduction, Forbearance of Interest	14	9,347		
Rate Reduction, Forbearance of Principal	14	3,107	1	1,123
Rate Reduction, Payment Modification			4	5,444
Total	39	\$ 17,951	11	\$ 8,155

**Table of Contents**

The following table presents the amount of troubled debt restructurings by collateral types, classified separately as accrual and non-accrual at March 31, 2012 and December 31, 2011.

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

<i>As of December 31, 2011</i>	Accruing Loans		Non-Accruing Loans	
	#	Balance (in thousands)	#	Balance (in thousands)
Collateral type:				
Apartments	1	\$ 1,347		\$
Raw Land	3	1,549	2	618
Hotel & Motel	1	503	1	2,072
Office	3	1,077		
Retail, including Strip Centers	9	6,694	1	2,665
1-4 Family Residential	22	6,781	7	2,800
<b>Total</b>	<b>39</b>	<b>\$ 17,951</b>	<b>11</b>	<b>\$ 8,155</b>

As of March 31, 2012 and December 31, 2011, the Company had a balance of \$31.7 million and \$26.1 million, respectively, in troubled debt restructurings. The Company has recorded \$2.3 million and \$1.7 million in previous charge-offs on such loans at March 31, 2012 and December 31, 2011, respectively. The Company's balance in the allowance for loan losses allocated to such troubled debt restructurings was \$3.2 million and \$2.7 million at March 31, 2012 and December 31, 2011, respectively.

**Allowance for Loan Losses**

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

**Table of Contents**

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

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

Activity in the allowance for loan losses for the three months ended March 31, 2012, for the year ended December 31, 2011 and for the three months ended March 31, 2011 is as follows:

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Balance, January 1	\$ 35,156	\$ 34,576	\$ 34,576
Provision for loan losses charged to expense	12,600	30,341	7,092
Loans charged off	(19,337)	(31,623)	(7,067)
Recoveries of loans previously charged off	270	1,862	842
<b>Ending balance</b>	<b>\$ 28,689</b>	<b>\$ 35,156</b>	<b>\$ 35,443</b>

During the three months ended March 31, 2012, the year ended December 31, 2011 and the three months ended March 31, 2011, the Company recorded provision for loan loss expense of \$282,000, \$2.4 million and (\$49,000), respectively, to account for losses where the initial estimate of cash flows was found to be excessive on loans acquired in FDIC-assisted transactions. These amounts are excluded from the rollforwards above and below but are reflected in the Company's Consolidated Statements of Earnings.

**Table of Contents**

The following table details activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2012, the year ended December 31, 2011 and the three months ended March 31, 2011. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans and Other	Total
	(Dollars in thousands)					
<b>Balance, January 1, 2012</b>	\$ 2,918	\$ 9,438	\$ 14,226	\$ 8,128	\$ 446	\$ 35,156
Provision for loan losses	(693)	1,967	8,585	2,002	739	12,600
Loans charged off	(155)	(3,930)	(12,964)	(2,123)	(165)	(19,337)
Recoveries of loans previously charged off	48	17	16	141	48	270
<b>Balance, March 31, 2012</b>	\$ 2,118	\$ 7,492	\$ 9,863	\$ 8,148	\$ 1,068	\$ 28,689

**Period-end amount allocated to:**

Loans individually evaluated for impairment	\$ 827	\$ 1,450	\$ 3,421	\$ 2,659	\$ 3	\$ 8,360
Loans collectively evaluated for impairment	1,291	6,042	6,442	5,489	1,065	20,329
<b>Ending balance</b>	\$ 2,118	\$ 7,492	\$ 9,863	\$ 8,148	\$ 1,068	\$ 28,689

**Loans:**

Individually evaluated for impairment	\$ 3,220	\$ 8,980	\$ 35,971	\$ 17,098	\$ 17	\$ 65,286
Collectively evaluated for impairment	146,100	113,351	622,083	310,955	66,069	1,258,558
<b>Ending balance</b>	\$ 149,320	\$ 122,331	\$ 658,054	\$ 328,053	\$ 66,086	\$ 1,323,844

	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans and Other	Total
	(Dollars in thousands)					
<b>Balance, January 1, 2011</b>	\$ 2,779	\$ 7,705	\$ 14,971	\$ 8,664	\$ 457	\$ 34,576
Provision for loan losses	5,772	11,354	7,883	4,717	615	30,341
Loans charged off	(5,807)	(10,988)	(8,680)	(5,399)	(749)	(31,623)
Recoveries of loans previously charged off	174	1,367	52	146	123	1,862
<b>Balance, December 31, 2011</b>	\$ 2,918	\$ 9,438	\$ 14,226	\$ 8,128	\$ 446	\$ 35,156

**Period-end amount allocated to:**

Loans individually evaluated for impairment	\$ 766	\$ 3,478	\$ 8,152	\$ 3,567	\$ 3	\$ 15,966
Loans collectively evaluated for impairment	2,152	5,960	6,074	4,561	443	19,190
<b>Ending balance</b>	\$ 2,918	\$ 9,438	\$ 14,226	\$ 8,128	\$ 446	\$ 35,156

**Loans:**

Individually evaluated for impairment	\$ 2,831	\$ 13,561	\$ 45,084	\$ 16,080	\$ 17	\$ 77,573
Collectively evaluated for impairment	140,129	116,709	627,681	314,647	55,347	1,254,513
<b>Ending balance</b>	\$ 142,960	\$ 130,270	\$ 672,765	\$ 330,727	\$ 55,364	\$ 1,332,086



**Table of Contents**

	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans and Other	Total
	(Dollars in thousands)					
<b>Balance, January 1, 2011</b>	\$ 2,779	\$ 7,705	\$ 14,971	\$ 8,664	\$ 457	\$ 34,576
Provision for loan losses	2,078	1,477	2,387	1,015	135	7,092
Loans charged off	(1,113)	(2,425)	(2,557)	(809)	(163)	(7,067)
Recoveries of loans previously charged off	20	772	2	14	34	842
<b>Balance, March 31, 2011</b>	\$ 3,764	\$ 7,529	\$ 14,803	\$ 8,884	\$ 463	\$ 35,443
<b>Period-end amount allocated to:</b>						
Loans individually evaluated for impairment	\$ 2,012	\$ 3,513	\$ 6,282	\$ 2,484	\$ 1	\$ 14,292
Loans collectively evaluated for impairment	1,752	4,016	8,521	6,400	462	21,151
<b>Ending balance</b>	\$ 3,764	\$ 7,529	\$ 14,803	\$ 8,884	\$ 463	\$ 35,443
<b>Loans:</b>						
Individually evaluated for impairment	\$ 4,752	\$ 18,054	\$ 48,594	\$ 12,448	\$ 18	\$ 83,866
Collectively evaluated for impairment	138,074	134,809	623,618	324,307	41,307	1,262,115
<b>Ending balance</b>	\$ 142,826	\$ 152,863	\$ 672,212	\$ 336,755	\$ 41,325	\$ 1,345,981

**NOTE 4 ASSETS ACQUIRED IN FDIC-ASSISTED ACQUISITIONS**

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

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

On February 24, 2012, the Bank purchased substantially all of the assets and assumed substantially all the liabilities of Central Bank of Georgia ( CBG ) from the FDIC, as Receiver of CBG. CBG operated five branches in Ellaville, Buena Vista, Butler, Cusseta and Macon, Georgia. The Company's agreement with the FDIC included shared-loss agreements that afford the Bank significant protection from losses associated with loans and OREO. Under the terms of the shared-loss agreements, the FDIC will absorb 80% of all losses and share 80% of all loss recoveries. The shared-loss agreement applicable to single family residential mortgage loans provides for FDIC loss sharing and reimbursement by the Bank to the FDIC for ten years. The shared-loss agreement applicable to commercial loans and securities provides for FDIC loss sharing for five years and reimbursement by the Bank to the FDIC for eight years.

**Table of Contents**

The estimated fair value of the assets acquired and the liabilities assumed are shown below:

(Dollars in Thousands)	Central Bank of Georgia
<b>Assets acquired:</b>	
Cash and due from banks	\$ 33,150
Securities available for sale	39,920
Loans	124,782
Foreclosed property	6,177
Estimated FDIC indemnification asset	52,654
Other assets	4,606
<b>Assets acquired</b>	<b>261,289</b>
Cash received (paid) to settle the acquisition	31,900
Fair value of assets acquired	\$ 293,189
<b>Liabilities assumed:</b>	
Deposits	\$ 261,036
Other borrowings	10,334
Other liabilities	1,782
Fair value of liabilities assumed	\$ 273,152
Net assets acquired / gain from acquisition	\$ 20,037

The Company's bid to acquire the assets of CBG included a discount of approximately \$33.9 million, and the Company received a \$31.9 million cash payment from the FDIC to settle the acquisition.

The shared-loss agreements are subject to the servicing procedures as specified in the agreements with the FDIC. The expected reimbursements under the CBG shared-loss agreements were recorded as an indemnification asset at its estimated fair value of \$52.7 million on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded on the transaction.

The CBG transaction resulted in a before-tax gain of \$20.0 million, which is included in the Company's March 31, 2012 Consolidated Statement of Earnings. Due to the difference in tax bases of the assets acquired and liabilities assumed, the Bank recorded deferred tax liabilities with respect to CBG of \$7.0 million, resulting in an after-tax gain of \$13.0 million.

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

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

## Edgar Filing: Ameris Bancorp - Form 10-Q

loan's remaining life. If the expected cash flows expected to be collected decreases, the Company records a provision for loan loss in its consolidated statement of operations.

**Table of Contents**

On the acquisition date, the preliminary estimates of the contractually required payments receivable for all ASC 310 loans acquired in the CBG acquisition totaled \$137.2 million and the estimated fair values of the loans totaled \$73.4 million, net of an accretable discount of \$10.2 million, the difference between the value of the loans on the Company's balance sheet and the cash flows they are expected to produce. These amounts were determined based upon the estimated remaining life of the underlying loans, which includes the effects of estimated prepayments.

The estimated fair values of loans acquired in the CBG acquisition are detailed below based on their initial estimate of credit quality (dollars in thousands):

	Loans with deterioration of credit quality	Loans without a deterioration of credit quality	Total loans, at fair value
Commercial, industrial, agricultural	\$ 1,256	\$ 6,288	\$ 7,544
Real estate residential	22,389	22,213	44,602
Real estate commercial & farmland	34,458	10,538	44,996
Construction & development	15,038	5,507	20,545
Consumer	273	6,822	7,095
	\$ 73,414	\$ 51,368	\$ 124,782

The results of operations of CBG subsequent to the acquisition date are included in the Company's consolidated statements of earnings. The following unaudited pro forma information reflects the Company's estimated consolidated results of operations as if the acquisitions had occurred on December 31, 2011 and 2010, unadjusted for potential cost savings (in thousands).

	Three Months Ended March 31,	
	2012	2011
Net interest income and noninterest income	\$ 56,461	\$ 33,040
Net income (loss)	\$ 5,252	\$ (4,379)
Net income (loss) available to common stockholders	\$ 4,437	\$ (5,177)
Income (loss) per common share available to common stockholders basic	\$ 0.19	\$ (0.22)
Income (loss) per common share available to common stockholders diluted	\$ 0.19	\$ (0.22)
Average number of shares outstanding, basic	23,762	23,474
Average number of shares outstanding, diluted	23,916	23,766

Edgar Filing: Ameris Bancorp - Form 10-Q

**Table of Contents**

In addition to the covered assets acquired in the most recent acquisitions, the Company has other investments in covered assets remaining from its previous FDIC-assisted acquisitions. The following table summarizes components of all covered assets at March 31, 2012 and December 31, 2011 and their origin:

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

	Covered loans	Less: Credit risk adjustments	Less: Liquidity and rate adjustments	Total covered loans	OREO	Less: Fair value adjustments	Total covered OREO	Total covered assets	FDIC indemnification asset
<b>As of December 31, 2011:</b>									
(Dollars in thousands)									
AUB	\$ 34,242	\$ 3,236	\$	\$ 31,006	\$ 11,100	\$	\$ 11,100	\$ 42,106	\$ 7,271
USB	51,409	5,259	50	46,100	7,445	50	7,395	53,495	10,648
SCB	56,780	5,779	155	50,846	10,635	500	10,135	60,981	6,527
FBJ	40,106	7,473	92	32,541	2,370	641	1,729	34,270	8,551
DBT	260,883	68,757	703	191,423	28,947	2,763	26,184	217,607	105,528
TBC	79,586	14,358	331	64,897	8,441	1,274	7,167	72,064	18,628
HTB	110,899	28,024	73	82,802	20,132	10,171	9,961	92,763	48,289
OGB	105,285	33,221	190	71,874	12,615	7,669	4,946	76,820	36,952
Total	\$ 739,190	\$ 166,107	\$ 1,594	\$ 571,489	\$ 101,685	\$ 23,068	\$ 78,617	\$ 650,106	\$ 242,394

	Covered loans	Less: Credit risk adjustments	Less: Liquidity and rate adjustments	Total covered loans	OREO	Less: Fair value adjustments	Total covered OREO	Total covered assets	FDIC indemnification asset
<b>As of March 31, 2011:</b>									
(Dollars in thousands)									

Edgar Filing: Ameris Bancorp - Form 10-Q

AUB	\$ 51,845	\$ 4,332	\$ 150	\$ 47,363	\$ 12,816	\$ 139	\$ 12,677	\$ 60,040	\$ 3,769
USB	74,470	5,609	398	68,463	10,664	74	10,590	79,053	6,698
SCB	68,655	7,177	464	61,014	7,700	550	7,150	68,164	10,120
FBJ	46,990	9,847	135	37,008	2,997	1,616	1,381	38,389	10,839
DBT	360,610	128,975	1,075	230,560	36,190	11,101	25,089	255,649	108,091
TBC	107,458	25,456	398	81,604	4,151	1,281	2,870	84,474	27,659
Total	\$ 710,028	\$ 181,396	\$ 2,620	\$ 526,012	\$ 74,518	\$ 14,761	\$ 59,757	\$ 585,769	\$ 167,176

**Table of Contents**

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

	\$22,031	\$22,031	\$22,031
	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2012</b>	<b>2011</b>	<b>2011</b>
<b>Total Amounts</b>	(Dollars in thousands)		
Adjustments needed where the Company's initial estimate of cash flows were underestimated: (recorded with a reclassification from non-accretable difference to accretable discount)	\$ 2,818	\$ 22,031	\$ 4,435
Adjustments needed where the Company's initial estimate of cash flows were overstated: (recorded through a provision for loan losses)	1,410	11,940	380
<b>Amounts reflected in the Company's Statement of Earnings</b>	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2012</b>	<b>2011</b>	<b>2011</b>
	(Dollars in thousands)		
Adjustments needed where the Company's initial estimate of cash flows were underestimated: (recorded with a reclassification from non-accretable difference to accretable discount)	\$ 564	\$ 4,406	\$ 848
Adjustments needed where the Company's initial estimate of cash flows were overstated: (recorded through a provision for loan losses)	282	2,388	76

A rollforward of acquired loans with deterioration of credit quality for the three months ended March 31, 2012, the year ended December 31, 2011 and the three months ended March 31, 2011 is shown below:

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
<b>(Dollars in Thousands)</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
Balance, January 1	\$ 307,790	\$ 252,535	\$ 252,535
Change in estimate of cash flows, net of charge-offs or recoveries	(3,388)	(25,787)	(2,092)
Additions due to acquisitions	73,414	124,136	
Other (loan payments, transfers, etc.)	(9,451)	(43,094)	(4,033)
<b>Ending balance</b>	<b>\$ 368,365</b>	<b>\$ 307,790</b>	<b>\$ 246,410</b>

A rollforward of acquired loans without deterioration of credit quality for the three months ended March 31, 2012, the year ended December 31, 2011 and the three months ended March 31, 2011 is shown below:

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
<b>(Dollars in Thousands)</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
Balance, January 1	\$ 266,966	\$ 302,456	\$ 302,456
Change in estimate of cash flows, net of charge-offs or recoveries	222	(11,604)	
Additions due to acquisitions	51,367	35,439	
Other (loan payments, transfers, etc.)	(19,684)	(59,325)	(22,854)
<b>Ending balance</b>	<b>\$ 298,871</b>	<b>\$ 266,966</b>	<b>\$ 279,602</b>





**Table of Contents**

The following is a summary of changes in the accretable discounts of acquired loans during the three months ended March 31, 2012, the year ended December 31, 2011 and the three months ended March 31, 2011.

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Balance, January 1	\$ 29,537	\$ 37,383	\$ 37,383
Additions due to acquisitions	9,863	24,094	
Accretion	(12,051)	(36,519)	(4,454)
Other activity, net	2,818	4,579	887
Ending balance	\$ 30,167	\$ 29,537	\$ 33,816

The shared-loss agreements are subject to the servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the shared-loss agreements were recorded as an indemnification asset at their estimated fair values on the acquisition dates. Changes in the FDIC shared-loss receivable for the three months ended March 31, 2012, for the year ended December 31, 2011 and for the three months ended March 31, 2011 are as follows:

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Balance, January 1	\$ 242,394	\$ 177,187	\$ 177,187
Indemnification asset recorded in acquisitions	52,654	94,973	
Payments received from FDIC	(71,169)	(36,813)	(4,071)
Effect of change in expected cash flows on covered assets	(3,863)	7,047	(5,940)
Ending balance	\$ 220,016	\$ 242,394	\$ 167,176

**NOTE 5 WEIGHTED AVERAGE SHARES OUTSTANDING**

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

	For the Three Months Ended March 31, 2012 2011 (share data in thousands)	
Basic shares outstanding	23,762	23,440
Plus: Dilutive effect of ISOs	105	34
Plus: Dilutive effect of Restricted Grants	49	
Diluted shares outstanding	23,916	23,474

**NOTE 6 OTHER BORROWINGS**

The Company has, from time to time, utilized certain borrowing arrangements with various financial institutions to fund growth in earning assets or provide additional liquidity when appropriate spreads can be realized. At March 31, 2012 and December 31, 2011, there were \$3.8 million and \$20.0 million, respectively, outstanding borrowings with the Company's correspondent banks. There were no outstanding borrowings with the Company's correspondent banks at March 31, 2011. The Company's success with attracting and retaining retail deposits has allowed for very low dependence on more volatile non-deposit funding.

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

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

**Table of Contents**

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

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

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

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

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Commitments to extend credit	\$ 156,330	\$ 132,700	\$ 163,442
Standby letters of credit	\$ 8,349	\$ 8,074	\$ 7,531

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

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

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

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

**Table of Contents**

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

<i>(in thousands, except share data, taxable equivalent)</i>	2012		2011		
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
<b>Results of Operations:</b>					
Net interest income	\$ 27,727	\$ 32,768	\$ 27,802	\$ 28,747	\$ 24,207
Net interest income (tax equivalent)	27,655	33,022	28,026	28,969	24,418
Provision for loan losses	12,882	9,019	7,552	9,115	7,043
Non-interest income	27,264	6,689	33,945	5,974	6,193
Non-interest expense	34,246	28,710	29,486	22,596	21,155
Income tax expense	2,498	587	8,249	896	824
Preferred stock dividends	815	819	817	807	798
Net income available to common Shareholders	4,550	322	15,643	1,307	580
<b>Selected Average Balances:</b>					
Loans, net of unearned income	\$ 1,329,146	\$ 1,335,242	\$ 1,437,609	\$ 1,349,092	\$ 1,361,964
Covered loans	602,353	600,367	540,959	506,251	540,127
Investment securities	356,112	338,076	327,195	289,149	301,572
Earning assets	2,482,070	2,516,100	2,503,121	2,426,041	2,453,040
Assets	2,978,469	2,978,469	3,048,337	2,909,012	2,949,943
Deposits	2,589,978	2,623,403	2,639,848	2,450,738	2,548,509
Shareholders equity	242,817	248,729	228,716	229,794	222,675
<b>Period-End Balances:</b>					
Loans, net of unearned income	\$ 1,323,844	\$ 1,332,086	\$ 1,368,895	\$ 1,360,063	\$ 1,345,981
Covered loans	653,377	571,489	595,428	486,489	526,012
Earning assets	2,558,047	2,484,147	2,475,511	2,399,258	2,442,121
Total assets	3,043,234	2,994,307	3,010,379	2,857,237	2,918,423
Deposits	2,665,360	2,591,566	2,628,892	2,511,363	2,572,689
Common shareholders equity	246,813	243,043	243,850	226,739	223,588
<b>Per Common Share Data:</b>					
Earnings per share - Basic	\$ 0.19	\$ 0.01	\$ 0.67	\$ 0.06	\$ 0.02
Earnings per share - Diluted	0.19	0.01	0.66	0.06	0.02
Common book value per share	10.36	10.23	10.27	9.54	9.41
End of period shares					
outstanding	23,814,144	23,751,294	23,742,794	23,766,044	23,766,044
Weighted average shares outstanding					
Basic	23,762,196	23,457,739	23,438,335	23,449,123	23,440,201
Diluted	23,916,421	23,611,964	23,559,063	21,508,419	23,474,424
<b>Market Data:</b>					
High closing price	\$ 13.32	\$ 10.66	\$ 10.30	\$ 10.16	\$ 11.10
Low closing price	10.34	8.55	8.47	8.49	9.32
Closing price for quarter	13.14	10.28	8.71	8.87	10.16
Average daily trading volume	59,139	68,654	71,955	58,706	46,618
Cash dividends per share					
Stock dividend					
Price to earnings	N/M	N/M	N/M	N/M	N/M
Closing price to book value	1.27	1.00	0.85	0.93	1.09
<b>Performance Ratios:</b>					
Return on average assets	0.72%	0.15%	2.14%	0.29%	0.19%
Return on average common equity	8.89%	1.82%	28.55%	3.69%	2.51%
Average loan to average deposits	74.58%	73.78%	74.95%	73.02%	74.64%
Average equity to average assets	9.86%	9.91%	9.16%	9.63%	9.25%
Net interest margin (tax equivalent)	4.48%	5.21%	4.44%	4.79%	4.04%

Edgar Filing: Ameris Bancorp - Form 10-Q

Efficiency ratio (tax equivalent)	62.28%	72.76%	47.75%	65.08%	69.59%
-----------------------------------	--------	--------	--------	--------	--------

## Table of Contents

### Overview

The following is management's discussion and analysis of certain significant factors which have affected the financial condition and results of operations of the Company as reflected in the unaudited consolidated balance sheet as of March 31, 2012 as compared to December 31, 2011 and operating results for the three month periods ended March 31, 2012 and 2011. These comments should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes appearing elsewhere herein.

### Results of Operations for the Three Months Ended March 31, 2012

#### *Consolidated Earnings and Profitability*

Ameris reported net income available to common shareholders of \$4.6 million, or \$0.19 per diluted share, for the quarter ended March 31, 2012, compared to \$580,000, or \$0.02 per diluted share, for the same quarter in 2011. The Company's return on average assets and average shareholders' equity increased in the first quarter of 2012 to 0.72% and 8.89%, respectively, compared to 0.19% and 2.51%, respectively, in the first quarter of 2011. The increase in earnings and profitability during the quarter included several items that are considered non-recurring, such as a \$20.0 million gain on FDIC-assisted transaction, \$11.7 million of losses associated with a bulk sale of problem assets and \$2.6 million of additional write downs on OREO that the Company anticipates selling in the second quarter of 2012. Net of these non-recurring items, the Company would have earned \$591,000, or \$0.02 per diluted share, for the first quarter of 2012.

#### *Net Interest Income and Margins*

On a tax equivalent basis, net interest income for the first quarter of 2012 was \$27.7 million, an increase of \$3.5 million compared to the same quarter in 2011. Significant increases in the Company's net interest margin have been the result of flat yields on all classes of earning assets complemented by steady decreases in the Company's cost of funds. The Company's net interest margin increased during the first quarter of 2012 to 4.48%, compared to 4.04% during the first quarter of 2011. Increases in earning assets over the past year have been in covered loans with favorable yields compared to the Company's low cost of funds.

Total interest income during the first quarter of 2012 was \$32.3 million compared to \$32.1 million in the same quarter of 2011. Yields on earning assets fell to 5.22%, compared to 5.35% reported in the first quarter of 2011. During the first quarter of 2012, short-term assets averaged 7.4% of total earning assets compared to 9.7% in the same quarter in 2011. Current opportunities to invest a portion of the short-term assets in the bond market have been limited by the Company's inability to maintain certain portfolio characteristics with current yields and structures being offered. Efforts to increase lending activities have been slow to generate increases in outstanding loans due to the current economic conditions in the Company's markets. Management anticipates improving economic conditions and increased loan demand will provide opportunities to invest a portion of the short-term assets at higher yields.

Total funding costs declined to 0.69% in the first quarter of 2012 compared to 1.22% during the first quarter of 2011. Deposit costs decreased from 1.17% in the first quarter of 2011 to 0.63% in the first quarter of 2012. Ongoing efforts to maintain the percentage of funding from transaction deposits have succeeded such that non-CD deposits averaged 66.0% of total deposits in the first quarter of 2012 compared to 58.6% during the first quarter of 2011. Lower costs on deposits were realized due mostly to the lower rate environment and the Company's ability to be less competitive on higher priced CDs due to its larger than normal position in short-term assets. Further opportunity to realize savings on deposits exists but may be limited due to current costs. Average balances of interest bearing deposits and their respective costs for the first quarter of 2012 and 2011 are shown below:

(Dollars in Thousands)	March 31, 2012		March 31, 2011	
	Average Balance	Average Cost	Average Balance	Average Cost
NOW	\$ 619,047	0.34%	\$ 584,338	0.73%
MMDA	598,956	0.56%	522,009	1.09%
Savings	87,219	0.16%	76,341	0.70%
Retail CDs < \$100,000	373,519	1.01%	427,143	1.66%
Retail CDs > \$100,000	444,838	1.12%	504,011	1.68%
Brokered CDs	61,287	3.29%	124,441	3.09%

Edgar Filing: Ameris Bancorp - Form 10-Q

<b>Interest bearing deposits</b>	\$ 2,184,866	0.75%	\$ 2,238,283	1.34%
----------------------------------	--------------	-------	--------------	-------

---

**Table of Contents*****Provision for Loan Losses and Credit Quality***

The Company's provision for loan losses during the first quarter of 2012 amounted to \$12.9 million, compared to \$9.0 million in the fourth quarter of 2011 and to \$7.0 million in the first quarter of 2011. Although the Company has experienced improving trends in criticized and classified assets for several quarters, provision for loan losses have still been required to account for continued devaluation of real estate collateral. At March 31, 2012, classified loans still accruing totaled \$32.4 million, compared to \$46.8 million at March 31, 2011. Non-accrual loans at March 31, 2012 totaled \$52.3 million, a 23.6% decrease from \$68.4 million reported at the end of the first quarter of 2011.

At March 31, 2012, OREO (excluding covered OREO) totaled \$40.0 million, compared to \$62.3 million at March 31, 2011. Management regularly assesses the valuation of OREO through periodic reappraisal and through inquiries received in the marketing process. The Company has found that with a marketing window of 3-6 months, the liquidation of properties varies from 85% to 100% of current book value. Certain properties, mostly raw land and subdivision lots, have extended marketing periods because of excessive inventory and record low home building activity. At the end of the first quarter of 2012, total non-performing assets decreased to 3.03% of total assets compared to 4.48% at March 31, 2011. Management continues to aggressively identify and resolve problem assets while seeking quality credits to grow the loan portfolio.

Net charge-offs on loans during the first quarter of 2012 increased to \$19.1 million, or 5.79% of loans on an annualized basis, compared to \$6.2 million, or 1.88% of loans, in the first quarter of 2011. The increased level of charge-offs is due to the Company's bulk sale of non-performing loans during the first quarter of 2012. Excluding amounts charged-off in the bulk sale, the Company's net charge-offs would have been \$8.7 million, or 2.65% of loans on an annualized basis. The Company's allowance for loan losses at March 31, 2012 was \$28.7 million, or 2.17% of total loans, compared to \$35.4 million, or 2.63% of total loans, at March 31, 2011.

***Non-interest Income***

Total non-interest income for the first quarter of 2012 increased to \$27.3 million from \$6.2 million in the first quarter of 2011. Excluding the gain on acquisition, non-interest income increased \$1.1 million to \$7.3 million in the first three months of 2012. Income from mortgage related activities continued to increase due to the Company's increased number of mortgage bankers and higher level of productions. Service charges on deposit accounts in the first quarter of 2012 increased slightly to \$4.4 million, compared to \$4.3 million in the first quarter of 2011.

***Non-interest Expense***

Total non-interest expense for the first quarter of 2012 increased to \$34.2 million, compared to \$21.2 million at the same time in 2011. Salaries and employee benefits increased from \$9.8 million in the first quarter of 2011 and \$10.7 million in the fourth quarter of 2011 to \$11.4 million in the first quarter of 2012. The majority of the increase is due to the reinstatement of foregone compensation (including incentive accruals and board fees) totaling approximately \$433,000 and approximately \$225,000 of compensation associated with the recently acquired Central Bank of Georgia. Occupancy and equipment expense increased during the quarter from \$2.7 million in the first quarter of 2011 to \$3.3 million in the first quarter of 2012. Increases in occupancy and equipment over the same period in 2011 relate to eight additional branches acquired in FDIC transactions over the past year. These increases were mostly offset by decreases in data processing and telecommunications expense that resulted from renegotiation of the Company's contract with its core service provider as well as other synergies from recent conversions. Total data processing and telecommunications expense in the first quarter of 2012 was \$1.9 million, compared to \$2.4 million in the first quarter of 2011. Credit related expenses in the first quarter of 2012 totaled \$12.7 million, a significant increase from the same quarter in 2011. The majority of the non-provision credit costs related to the Company's bulk sale in the first quarter of 2012.

***Income taxes***

Income tax expense is influenced by the amount of taxable income, the amount of tax-exempt income and the amount of non-deductible expenses. For the first quarter of 2012, the Company reported income tax expense of \$2.5 million compared to \$824,000 in the same period of 2011. The Company's effective tax rate for the three months ended March 31, 2012 and 2011 was 31.8% and 37.4%, respectively.

***Balance Sheet Comparison******Securities***

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





**Table of Contents**

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

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

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Substantially all of the unrealized losses on debt securities are related to changes in interest rates and do not affect the expected cash flows of the issuer or underlying collateral. All unrealized losses are considered temporary because each security carries an acceptable investment grade and the Company does not intend to sell these investment securities at an unrealized loss position at March 31, 2012, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Therefore, at March 31, 2012, these investments are not considered impaired on an other-than temporary basis.

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

	Book Value	Fair Value	Yield	Modified Duration	Estimated Cash Flows 12 months
	Dollars in Thousands				
March 31, 2012:					
U.S. government agencies	\$ 28,634	\$ 28,848	1.55%	1.42	\$ 18,000
State, county and municipal securities	\$ 78,440	\$ 81,997	4.59%	6.04	\$ 6,017
Corporate debt securities	\$ 11,639	\$ 11,385	6.80%	7.20	\$ 1,350
Mortgage-backed securities	\$ 244,232	\$ 249,561	2.88%	2.82	\$ 75,992
<b>Total debt securities</b>	<b>\$ 362,945</b>	<b>\$ 371,791</b>	<b>3.28%</b>	<b>3.54</b>	<b>\$ 101,359</b>
March 31, 2011:					
U.S. government agencies	\$ 33,137	\$ 33,545	1.58%	2.16	\$ 9,165
State, county and municipal securities	\$ 55,971	\$ 56,898	4.84%	5.65	\$ 1,462
Corporate debt securities	\$ 12,150	\$ 9,749	6.89%	6.33	\$ 512
Mortgage-backed securities	\$ 202,204	\$ 205,428	4.08%	3.72	\$ 46,174
<b>Total debt securities</b>	<b>\$ 303,462</b>	<b>\$ 305,620</b>	<b>4.06%</b>	<b>4.01</b>	<b>\$ 57,313</b>

**Loans and Allowance for Loan Losses**

At March 31, 2012, gross loans outstanding (including covered loans) were \$1.98 billion, an increase of \$105.2 million, or 5.6%, compared to balances at March 31, 2011. Covered loans increased \$127.4 million, from \$526.0 million at March 31, 2011 to \$653.4 million at March 31, 2012. This increase in covered loans is due to the FDIC-assisted transactions completed during 2011. The Company's participation in FDIC-assisted acquisitions was integral to being able to maintain a certain level of loans because management does not feel that enough loan opportunities with acceptable quality and profitability exist in our current market areas to stabilize and increase. The amount of non-covered loans did not decrease as rapidly as in prior periods, with non-covered loans decreasing by only \$22.1 million, or 1.6%, from \$1.35 billion at March 31, 2011 to \$1.32 billion at March 31, 2012.

The slower decline in loans reflects increased economic activity compared to 2009 and 2010, offset by management's focus on reducing higher risk loans within the Bank's loan portfolio. The Company regularly monitors the composition of the loan portfolio to evaluate the adequacy of the allowance for loan losses in light of the impact that changes in the economic environment may have on the loan portfolio.

## Edgar Filing: Ameris Bancorp - Form 10-Q

The Company focuses on the following loan categories: (1) commercial, financial and agricultural; (2) residential real estate; (3) commercial and farmland real estate; (4) construction and development related real estate; and (5) consumer. The Company's management has strategically located its branches in select markets in south and southeast Georgia, north Florida, southeast Alabama and throughout South Carolina to take advantage of the growth in these areas.

---

**Table of Contents**

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

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

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

For the three month period ended March 31, 2012, the Company recorded net charge-offs totaling \$19.1 million, compared to \$6.2 million for the period ended March 31, 2011. The provision for loan losses for the three months ended March 31, 2012 increased to \$12.6 million compared to \$7.1 million during the three month period ended March 31, 2011. Increased levels of charge-offs and provision expense relates almost entirely to the Company's bulk sale of non-performing loans during the first quarter of 2012. At the end of the first quarter of 2012, the allowance for loan losses totaled \$28.7 million, or 2.17% of total loans, compared to \$35.2 million, or 2.64% of total loans, at December 31, 2011 and \$35.4 million, or 2.63% of total loans, at March 31, 2011.

**Table of Contents**

The following table presents an analysis of the allowance for loan losses for the three month periods ended March 31, 2012 and March 31, 2011:

(Dollars in Thousands)	March 31, 2012	March 31, 2011
Balance of allowance for loan losses at beginning of period	\$ 35,156	\$ 34,576
Provision charged to operating expense	12,600	7,092
Charge-offs:		
Commercial, financial and agricultural	155	1,113
Real estate residential	2,123	809
Real estate commercial and farmland	12,964	2,557
Real estate construction and development	3,930	2,425
Consumer installment	165	163
Other		
Total charge-offs	19,337	7,067
Recoveries:		
Commercial, financial and agricultural	48	20
Real estate residential	141	14
Real estate commercial and farmland	16	2
Real estate construction and development	17	772
Consumer installment	48	34
Other		
Total recoveries	270	842
Net charge-offs	19,067	6,225
Balance of allowance for loan losses at end of period	\$ 28,689	\$ 35,443
Net annualized charge-offs as a percentage of average loans	5.79%	1.88%
Allowance for loan losses as a percentage of loans at end of period	2.17%	2.63%

**Assets Covered by Loss-Sharing Agreements with the FDIC**

Loans that were acquired in FDIC-assisted transactions that are covered by the loss-sharing agreements with the FDIC ( covered loans ) totaled \$653.4 million, \$571.5 million and \$526.0 million at March 31, 2012, December 31, 2011 and March 31, 2011, respectively. OREO that is covered by the loss-sharing agreements with the FDIC totaled \$85.8 million, \$78.6 million and \$59.8 million at March 31, 2012, December 31, 2011 and March 31, 2011, respectively. The loss-sharing agreements are subject to the servicing procedures as specified in the agreements with the FDIC. The expected reimbursements under the loss-sharing agreements were recorded as an indemnification asset at their estimated fair value on the acquisition dates. The FDIC loss-share receivable reported at March 31, 2012, December 31, 2011 and March 31, 2011 was \$220.0 million, \$242.4 million and \$167.2 million, respectively.

The Company recorded the loans at their fair values, taking into consideration certain credit quality, risk and liquidity marks. The Company is confident in its estimation of credit risk and its adjustments to the carrying balances of the acquired loans. If the Company determines that a loan or group of loans has deteriorated from its initial assessment of fair value, a reserve for loan losses will be established to account for that difference. During the three months ended March 31, 2012, the year ended December 31, 2011 and the three months ended March 31, 2011, the Company recorded provision for loan loss expense of \$282,000, \$776,000 and \$76,000, respectively, to account for losses where the initial estimate of cash flows was found to be excessive on loans acquired in FDIC-assisted transactions. If the Company determines that a loan or group of loans has improved from its initial assessment of fair value, the increase in cash flows over those expected at the acquisition date is recognized as interest income prospectively.



**Table of Contents**

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

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Commercial, financial and agricultural	\$ 43,157	\$ 41,867	\$ 45,954
Real estate construction and development	93,430	77,077	89,356
Real estate commercial and farmland	350,244	321,257	242,153
Real estate residential	162,768	127,644	140,239
Consumer installment	3,778	3,644	8,310
	\$ 653,377	\$ 571,489	\$ 526,012

**Non-Performing Assets**

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

For the quarter ended March 31, 2012, nonaccrual or impaired loans totaled \$52.3 million, a decrease of approximately \$18.6 million since December 31, 2011. The decrease in nonaccrual loans is due to the bulk sale of problem assets during the first quarter of 2012, the success in the foreclosure and resolution process, and a significant slowdown in the formation of new problem credits. Non-performing assets as a percentage of total assets were 3.03%, 4.05% and 4.48% at March 31, 2012, December 31, 2011 and March 31, 2011, respectively.

Non-performing assets at March 31, 2012, December 31, 2011 and March 31, 2011 were as follows:

(Dollars in Thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Total nonaccrual loans	\$ 52,258	\$ 70,823	\$ 68,391
Accruing loans delinquent 90 days or more			
Other real estate owned and repossessed collateral	40,035	50,301	62,258
Total non-performing assets	\$ 92,293	\$ 121,124	\$ 130,649

The restructuring of a loan is considered a troubled debt restructuring if both (i) the borrower is experiencing financial difficulties and (ii) the Company has granted a concession. The following table presents the amount of accruing troubled debt restructurings by loan class at March 31, 2012 and December 31, 2011.

Loan class:	March 31, 2012		December 31, 2011	
	#	Balance (in thousands)	#	Balance (in thousands)
Real estate construction & development	6	\$ 1,305	6	\$ 1,774
Real estate commercial & farmland	18	17,765	14	9,622
Real estate residential	22	7,778	19	6,555
Total	46	\$ 26,848	39	\$ 17,951





**Table of Contents**

**Commercial Lending Practices**

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

The CRE guidance is applicable when either:

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

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

As of March 31, 2012, the Company exhibited a concentration in CRE loans based on Federal Reserve Call codes. The primary risks of CRE lending are:

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

The following table outlines CRE loan categories and CRE loans as a percentage of total loans as of March 31, 2012 and December 31, 2011. The loan categories and concentrations below are based on Federal Reserve Call codes and include covered loans.

(Dollars in Thousands)	March 31, 2012		December 31, 2011	
	Balance	% of Total Loans	Balance	% of Total Loans
Construction and development loans	\$ 215,761	11%	\$ 207,347	11%
Multi-family loans	58,627	3%	60,247	3%
Nonfarm non-residential loans	824,266	42%	806,176	42%
<b>Total CRE Loans</b>	<b>\$ 1,098,654</b>	<b>56%</b>	<b>\$ 1,073,770</b>	<b>56%</b>
All other loan types	878,567	44%	829,805	44%
<b>Total Loans</b>	<b>\$ 1,977,221</b>	<b>100%</b>	<b>\$ 1,903,575</b>	<b>100%</b>

## Edgar Filing: Ameris Bancorp - Form 10-Q

The following table outlines the percent of total CRE loans, net owner occupied loans to total risk-based capital, and the Company's internal concentration limits as of March 31, 2012 and December 31, 2011.

	<b>Internal Limit</b>	<b>March 31, 2012 Actual</b>	<b>December 31, 2011 Actual</b>
Construction and development	100%	73%	71%
Commercial real estate	300%	233%	228%

**Short-Term Investments**

The Company's short-term investments are comprised of federal funds sold and interest bearing balances. At March 31, 2012, the Company's short-term investments were \$194.2 million, compared to \$229.0 million and \$264.5 million at December 31, 2011 and March 31, 2011, respectively. At March 31, 2012, approximately 85.5% of the balance was comprised of interest bearing balances, the majority of which were at the FHLB.

## Table of Contents

### Derivative Instruments and Hedging Activities

The Company had cash flow hedges with notional amounts totaling \$35.0 million at March 31, 2011, for the purpose of converting floating rate loans to fixed rate. The Company had a cash flow hedge with notional amount of \$37.1 million at March 31, 2012, December 31, 2011 and March 31, 2011 for the purpose of converting the variable rate on the junior subordinated debentures to fixed rate. The fair value of these instruments amounted to a liability of approximately \$2.1 million and \$2.0 million at March 31, 2012 and December 31, 2011, respectively, and an asset of approximately \$598,099 at March 31, 2011. No hedge ineffectiveness from cash flow hedges was recognized in the statement of operations. All components of each derivative's gain or loss are included in the assessment of hedge effectiveness.

### Capital

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

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

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

As of March 31, 2011, under the regulatory capital standards, the Bank was considered well capitalized under all capital measurements. The following table sets forth the regulatory capital ratios of Ameris at March 31, 2012, December 31, 2011 and March 31, 2011.

	March 31, 2012	December 31, 2011	March 31, 2011
<b>Leverage Ratio</b> (tier 1 capital to average assets)			
<b>Consolidated</b>	11.01%	10.76%	10.34%
<b>Ameris Bank</b>	10.93	10.62	10.15
<b>Core Capital Ratio</b> (tier 1 capital to risk weighted assets)			
<b>Consolidated</b>	19.12	18.80	18.11
<b>Ameris Bank</b>	19.01	18.61	17.69
<b>Total Capital Ratio</b> (total capital to risk weighted assets)			
<b>Consolidated</b>	20.38	20.05	19.37
<b>Ameris Bank</b>	20.27	19.87	18.95

### Capital Purchase Program

## Edgar Filing: Ameris Bancorp - Form 10-Q

On November 21, 2008, the Company, elected to participate in the Capital Purchase Program ( CPP ) established under the Emergency Economic Stabilization Act of 2008 ( EESA ). Accordingly, on such date, the Company issued and sold to the United States Treasury ( Treasury ), for an aggregate cash purchase price of \$52 million, (i) 52,000 shares (the Preferred Shares ) of the Company s fixed rate Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of \$1,000 per share, and (ii) a ten-year warrant (the Warrant ) to purchase up to 679,443 shares of the Company s common stock, par value \$1.00 per share (the Common Stock ), at an exercise price of \$11.48 per share. The issuance and sale of these securities was a private placement exempt from registration pursuant to Section 4(2) of the Securities Act.

---

## **Table of Contents**

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

The Purchase Agreement pursuant to which the Preferred Shares and the Warrant were sold contains limitations on the payment of dividends on the Common Stock (including with respect to the payment of cash dividends in excess of \$0.05 per share, which was the amount of the last regular dividend declared by the Company prior to October 14, 2008) and on the Company's ability to repurchase its Common Stock, and subjects the Company to certain of the executive compensation limitations included in the EESA.

### **Interest Rate Sensitivity and Liquidity**

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

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

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

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

Liquidity management involves the matching of the cash flow requirements of customers, who may be either depositors desiring to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs, and the ability of Ameris to manage those requirements. The Company strives to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets and interest-bearing liabilities so that the balance it has in short-term investments at any given time will adequately cover any reasonably anticipated immediate need for funds. Additionally, the Bank maintains relationships with correspondent banks, which could provide funds on short notice, if needed. The Company has invested in FHLB stock for the purpose of establishing credit lines with the FHLB. The credit availability to the Bank is equal to 20% of the Bank's total assets as reported on the most recent quarterly financial information submitted to the regulators subject to the pledging of sufficient collateral. At March 31, 2012, there were \$3.8 million outstanding borrowings with the Company's correspondent banks, compared to \$20.0 million at December 31, 2011. There were no outstanding borrowings with the Company's correspondent banks at March 31, 2011.

**Table of Contents**

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

	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Investment securities available for sale to total deposits	13.95%	13.12%	12.97%	13.31%	11.76%
Loans (net of unearned income) to total deposits <sup>(1)</sup>	49.67%	51.40%	52.07%	54.16%	52.32%
Interest-earning assets to total assets	84.06%	82.96%	82.23%	83.97%	83.63%
Interest-bearing deposits to total deposits	83.32%	84.74%	86.52%	87.34%	87.71%

(1) Loans exclude covered assets where appropriate

The liquidity resources of the Company are monitored continuously by the ALCO Committee and on a periodic basis by state and federal regulatory authorities. As determined under guidelines established by these regulatory authorities, the Company's and the Bank's liquidity ratios at March 31, 2012 were considered satisfactory. The Company is aware of no events or trends likely to result in a material change in liquidity.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company is exposed only to U.S. dollar interest rate changes, and, accordingly, the Company manages exposure by considering the possible changes in the net interest margin. The Company does not have any trading instruments nor does it classify any portion of the investment portfolio as held for trading. The Company's hedging activities are limited to cash flow hedges and are part of the Company's program to manage interest rate sensitivity. At March 31, 2012, the Company had one effective LIBOR rate swap with a notional amount of \$37.1 million. The LIBOR rate swap exchanges fixed rate payments of 4.15% for floating rate payments based on the three month LIBOR and matures December 2018. Finally, the Company has no exposure to foreign currency exchange rate risk, commodity price risk and other market risks.

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

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

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

**Item 4. Controls and Procedures**

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

During the quarter ended March 31, 2012, there was no change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

There have been no material changes to the risk factors disclosed in Item 1A. of Part 1 in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

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

**SIGNATURE**

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

Date: May 10, 2012

**AMERIS BANCORP**

/s/ Dennis J. Zember Jr.  
Dennis J. Zember Jr., Executive Vice President and

Chief Financial Officer (duly authorized signatory  
and principal accounting and financial officer)

**Table of Contents**

**EXHIBIT INDEX**

**Exhibit**

<b>No.</b>	<b>Description</b>
3.1	Articles of Incorporation of Ameris Bancorp, as amended (incorporated by reference to Exhibit 2.1 to Ameris Bancorp's Regulation A Offering Statement on Form 1-A filed with the Commission on August 14, 1987).
3.2	Amendment to Amended Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1.1 to Ameris Bancorp's Form 10-K filed with the Commission on March 28, 1996).
3.3	Amendment to Amended Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 4.3 to Ameris Bancorp's Registration Statement on Form S-4 filed with the Commission on July 17, 1996).
3.4	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.5 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 25, 1998).
3.5	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.7 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 26, 1999).
3.6	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.9 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 31, 2003).
3.7	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 1, 2005).
3.8	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on November 21, 2008).
3.9	Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on June 1, 2011).
3.10	Amended and Restated Bylaws of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on March 14, 2005).
31.1	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer
32.1	Section 1350 Certification by the Company's Chief Executive Officer
32.2	Section 1350 Certification by the Company's Chief Financial Officer