AMKOR TECHNOLOGY INC
Form 4
May 13, 2014

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

(Print or Type Responses)

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

(Last) (First) (Middle)

1200 LIBERTY RIDGE DRIVE, SUITE 300

(Street)

WAYNE, PA 19087

(City) (State) (Zip)

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

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

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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

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

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

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

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SEC 1474 (9-02)

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

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

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

Reporting Owners

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

Signatures

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

Explanation of Responses:

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

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

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

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

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Item 1. Financial Statements

AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

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

Total deposits	3,010,647	2,999,231	2,489,973
Securities sold under agreements to repurchase	49,974	83,516	22,919
Other borrowings	59,677	194,572	
Other liabilities	12,028	18,165	22,768
Subordinated deferrable interest debentures	55,628	55,466	42,269
Total liabilities	3,187,954	3,350,950	2,577,929
Commitments and contingencies			
Stockholders Equity			
Preferred stock, stated value $1,000; 5,000,000 shares authorized; 0, 28,000 and 28,000 shares issued and outstanding		28,000	27,753
Common stock, par value $1; 100,000,000 shares authorized; 26,535,571, 26,461,769 and 25,238,635 shares issued	26,536	26,462	25,239
Capital surplus	190,513	189,722	165,078
Retained earnings	92,055	83,991	70,554
Accumulated other comprehensive income (loss)	2,374	(294)	6,274
Treasury stock, at cost, 1,376,498, 1,363,342 and 1,362,955 shares	(11,448)	(11,182)	(11,176)
Total stockholders equity	300,030	316,699	283,722
Total liabilities and stockholders equity	$ 3,487,984	$ 3,667,649	$ 2,861,651

See notes to unaudited consolidated financial statements

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AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2014	**2013**
Interest income		
Interest and fees on loans	$ 34,469	$ 28,716
Interest on taxable securities	2,985	1,697
Interest on nontaxable securities	335	375
Interest on deposits in other banks	79	85
Interest on federal funds sold	5	
Total interest income	37,873	30,873
Interest expense		
Interest on deposits	2,183	2,226
Interest on other borrowings	1,206	309
Total interest expense	3,389	2,535
Net interest income	34,484	28,338
Provision for loan losses	1,726	2,923
Net interest income after provision for loan losses	32,758	25,415
Noninterest income		
Service charges on deposit accounts	5,586	4,837
Mortgage origination fees	5,068	4,464
Other service charges, commissions and fees	652	329
Gain on sale of securities	6	172
Other	1,442	1,558
Total noninterest income	12,754	11,360
Noninterest expense		
Salaries and employee benefits	17,394	13,806
Occupancy and equipment expense	4,064	2,931
Advertising and marketing expense	710	255
Amortization of intangible assets	533	364

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

See notes to unaudited consolidated financial statements

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AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(dollars in thousands, except per share data)

(Unaudited)

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

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

See notes to unaudited consolidated financial statements.

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AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

(Unaudited)

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

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

See notes to unaudited consolidated financial statements

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AMERIS BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

(Unaudited)

NOTE 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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

The accompanying unaudited consolidated financial statements for Ameris have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. The interim consolidated financial statements included herein are unaudited but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the period ended March 31, 2014 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto and the report of our registered independent public accounting firm included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

Newly Adopted Accounting Pronouncements

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

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

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Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself or the counterparties. However, as of March 31, 2014 and 2013, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuation in its entirety is classified in Level 2 of the fair value hierarchy.

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

	Carrying Amount	Fair Value Measurements at March 31, 2014 Using: Level 1	Level 2	Level 3	Total
		(Dollars in Thousands)			
Financial assets:					
Loans, net	$ 2,482,601	$	$ 1,651,409	$ 851,216	$ 2,502,625
Financial liabilities:					
Deposits	3,010,647		3,011,383		3,011,383
Other borrowings	59,677		59,677		59,677

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

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

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The following table presents the fair value measurements of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of March 31, 2014, December 31, 2013 and March 31, 2013 (dollars in thousands):

	Fair Value Measurements on a Recurring Basis As of March 31, 2014			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	$ 14,145	$	$ 14,145	$
State, county and municipal securities	111,574		111,574	
Corporate debt securities	10,383		8,383	2,000
Mortgage-backed securities	320,611		320,611	
Mortgage loans held for sale	51,693		51,693	
Total recurring assets at fair value	$ 508,406	$	$ 506,406	$ 2,000
Derivative financial instruments	$ 675	$	$ 675	$
Total recurring liabilities at fair value	$ 675	$	$ 675	$

	Fair Value Measurements on a Recurring Basis As of December 31, 2013			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government agencies	$ 13,926	$	$ 13,926	$
State, county and municipal securities	112,754		112,754	
Collateralized debt obligations	1,480	1,480		
Corporate debt securities	10,325		8,325	2,000
Mortgage-backed securities	347,750	182,461	165,289	
Mortgage loans held for sale	67,278		67,278	
Total recurring assets at fair value	$ 553,513	$ 183,941	$ 367,572	$ 2,000
Derivative financial instruments	$ 370	$	$ 370	$
Total recurring liabilities at fair value	$ 370	$	$ 370	$

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

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The following table is a presentation of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy as of March 31, 2014, December 31, 2013 and March 31, 2013 (dollars in thousands):

	Fair Value Measurements on a Nonrecurring Basis As of March 31, 2014			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans carried at fair value	$ 41,253	$	$	$ 41,253
Other real estate owned	33,839			33,839
Purchased, non-covered loans	437,269			437,269
Purchased, non-covered other real estate owned	3,864			3,864
Covered loans	372,694			372,694
Covered other real estate owned	42,636			42,636
Total nonrecurring assets at fair value	$ 931,555	$	$	$ 931,555

	Fair Value Measurements on a Nonrecurring Basis As of December 31, 2013			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans carried at fair value	$ 42,546	$	$	$ 42,546
Other real estate owned	33,351			33,351
Purchased, non-covered loans	448,753			448,753
Purchased, non-covered other real estate owned	4,276			4,276
Covered loans	390,237			390,237
Covered other real estate owned	45,893			45,893
Total nonrecurring assets at fair value	$ 965,056	$	$	$ 965,056

Fair Value Measurements on a Nonrecurring Basis
As of March 31, 2013

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans carried at fair value	$ 51,150	$	$	$ 51,150
Other real estate owned	40,434			40,434
Covered loans	460,724			460,724
Covered other real estate owned	77,915			77,915
Total nonrecurring assets at fair value	$ 630,223	$	$	$ 630,223

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

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

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

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

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

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

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

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

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NOTE 2 PENDING MERGER AND ACQUISITION

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

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

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

NOTE 3 BUSINESS COMBINATIONS

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

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

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

(Dollars in Thousands)	As Recorded by Prosperity	Fair Value Adjustments	As Recorded by Ameris
Assets			
Cash and cash equivalents	$ 4,285	$	$ 4,285
Federal funds sold and interest-bearing balances	21,687		21,687
Investment securities	151,863	411(a)	152,274
Other investments	8,727		8,727
Loans	487,358	(37,662)(b)	449,696
Less allowance for loan losses	(6,811)	6,811(c)	
Loans, net	480,547	(30,851)	449,696
Other real estate owned and repossessed assets	6,883	(1,260)(d)	5,623
Premises and equipment	36,293		36,293
Intangible assets	174	4,383(e)	4,557
Other assets	26,600	1,192(f)	27,792
Total assets	$ 737,059	$ (26,125)	$ 710,934
Liabilities			
Deposits:			
Noninterest-bearing	$ 149,242	$	$ 149,242
Interest-bearing	324,441		324,441
Total deposits	473,683		473,683
Federal funds purchased and securities sold under agreements to repurchase	21,530		21,530
Other borrowings	185,000	12,313(g)	197,313
Other liabilities	14,058	455(h)	14,513
Subordinated deferrable interest debentures	29,500	(16,303)(i)	13,197
Total liabilities	723,771	(3,535)	720,236
Net identifiable assets acquired over (under) liabilities assumed	13,288	(22,590)	(9,302)
Goodwill		34,093	34,093
Net assets acquired over (under) liabilities assumed	$ 13,288	$ 11,503	$ 24,791
Consideration:			

Ameris Bancorp common shares issued		1,168,918
Purchase price per share of the Company s common stock	$	21.07
Company common stock issued		24,629
Cash exchanged for shares		162
Fair value of total consideration transferred	$	24,791

Explanation of fair value adjustments

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

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NOTE 4 INVESTMENT SECURITIES

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

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
March 31, 2014:				
U. S. government agencies	$ 14,948	$	$ (803)	$ 14,145
State, county and municipal securities	110,331	2,724	(1,481)	111,574
Corporate debt securities	10,307	285	(209)	10,383
Mortgage-backed securities	319,216	4,244	(2,849)	320,611
Total debt securities	$ 454,802	$ 7,253	$ (5,342)	$ 456,713
December 31, 2013:				
U. S. government agencies	$ 14,947	$	$ (1,021)	$ 13,926
State, county and municipal securities	112,659	2,269	(2,174)	112,754
Corporate debt securities	10,311	275	(261)	10,325
Collateralized debt obligations	1,480			1,480
Mortgage-backed securities	349,441	2,347	(4,038)	347,750
Total debt securities	$ 488,838	$ 4,891	$ (7,494)	$ 486,235
March 31, 2013:				
U. S. government agencies	$ 5,000	$ 15	$	$ 5,015
State, county and municipal securities	110,628	5,051	(147)	115,532
Corporate debt securities	10,542	355	(600)	10,297
Mortgage-backed securities	188,492	5,342	(649)	193,185
Total debt securities	$ 314,662	$ 10,763	$ (1,396)	$ 324,029

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The amortized cost and fair value of available-for-sale securities at March 31, 2014 by contractual maturity are summarized in the table below. Expected maturities for mortgage-backed securities may differ from contractual maturities because in certain cases borrowers can prepay obligations without prepayment penalties. Therefore, these securities are not included in the following maturity summary.

	Amortized Cost	Fair Value
	(Dollars in Thousands)	
Due in one year or less	$ 3,088	$ 3,110
Due from one year to five years	41,430	43,038
Due from five to ten years	65,798	65,210
Due after ten years	25,270	24,744
Mortgage-backed securities	319,216	320,611
	$ 454,802	$ 456,713

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

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

	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(Dollars in Thousands)			
March 31, 2014:						
U. S. government agencies	$ 9,353	$ (595)	$ 4,792	$ (208)	$ 14,145	$ (803)
State, county and municipal securities	38,937	(1,238)	3,612	(243)	42,549	(1,481)
Corporate debt securities			4,871	(209)	4,871	(209)
Mortgage-backed securities	55,103	(1,219)	31,184	(1,630)	86,287	(2,849)
Total debt securities	$ 103,393	$ (3,052)	$ 44,459	$ (2,290)	$ 147,852	$ (5,342)
December 31, 2013:						
U. S. government agencies	$ 13,926	$ (1,021)	$	$	$ 13,926	$ (1,021)
State, county and municipal securities	47,401	(1,882)	3,794	(292)	51,195	(2,174)
Corporate debt securities			4,826	(261)	4,826	(261)
Collateralized debt obligations						
Mortgage-backed securities	94,989	(2,493)	23,388	(1,545)	118,377	(4,038)
Total debt securities	$ 156,316	$ (5,396)	$ 32,008	$ (2,098)	$ 188,324	$ (7,494)

March 31, 2013:						
U. S. government agencies	$	$	$	$	$	$
State, county and municipal securities	19,159	(138)	505	(9)	19,664	(147)
Corporate debt securities	244	(6)	4,506	(594)	4,750	(600)
Mortgage-backed securities	55,189	(648)	1,120	(1)	56,309	(649)
Total debt securities	$ 74,592	$ (792)	$ 6,131	$ (604)	$ 80,723	$ (1,396)

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NOTE 5 LOANS

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

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

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

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

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

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

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

Purchased non-covered loans are defined as loans that were acquired in bank acquisitions that are not covered by a loss-sharing agreement with the FDIC. Purchased non-covered loans totaling $437.3 million and $448.8 million at March 31, 2014 and December 31, 2013, respectively, are not included in the above schedule.

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

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

Covered loans are defined as loans that were acquired in FDIC-assisted transactions that are covered by a loss-sharing agreement with the FDIC. Covered loans totaling $372.7 million, $390.2 million and $460.7 million at March 31, 2014, December 31, 2013 and March 31, 2013, respectively, are not included in the above schedules.

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

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

Nonaccrual and Past Due Loans

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

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

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

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

(Dollars in Thousands)

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

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

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

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

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
				(Dollars in Thousands)			
As of March 31, 2014:							
Commercial, financial & agricultural	$ 1,083	$ 386	$ 2,956	$ 4,425	$ 266,146	$ 270,571	$
Real estate construction & development	1,304	249	3,919	5,472	144,071	149,543	
Real estate commercial & farmland	2,255	1,650	7,622	11,527	824,703	836,230	
Real estate residential	3,657	1,541	10,298	15,496	377,505	393,001	
Consumer installment loans	474	68	345	887	31,458	32,345	
Other					13,692	13,692	
Total	$ 8,773	$ 3,894	$ 25,140	$ 37,807	$ 1,657,575	$ 1,695,382	$

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

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
	(Dollars in Thousands)						
As of March 31, 2013:							
Commercial, financial & agricultural	$ 1,797	$ 149	$ 3,729	$ 5,675	$ 175,213	$ 180,888	$
Real estate construction & development	1,538	1,538	8,312	11,388	118,773	130,161	
Real estate commercial & farmland	11,115	3,220	9,352	23,687	742,540	766,227	
Real estate residential	7,686	1,719	11,699	21,104	345,952	367,056	
Consumer installment loans	745	169	563	1,477	35,858	37,335	
Other					11,086	11,086	
Total	$ 22,881	$ 6,795	$ 33,655	$ 63,331	$ 1,429,422	$ 1,492,753	$

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

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
			(Dollars in Thousands)				
As of March 31, 2014:							
Commercial, financial & agricultural	$ 291	$	$ 117	$ 408	$ 30,402	$ 30,810	$
Real estate construction & development	680	661	867	2,208	29,612	31,820	
Real estate commercial & farmland	3,956	5,126	2,550	11,632	162,649	174,281	
Real estate residential	5,187	1,816	6,503	13,506	182,572	196,078	
Consumer installment loans	12	11	30	53	4,227	4,280	
Total	$ 10,126	$ 7,614	$ 10,067	$ 27,807	$ 409,462	$ 437,269	$

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
			(Dollars in Thousands)				
As of December 30, 2013:							
Commercial, financial & agricultural	$ 370	$ 70	$ 11	$ 451	$ 31,690	$ 32,141	$
Real estate construction & development	1,008	89	325	1,422	29,754	31,176	
Real estate commercial & farmland	6,851	2,064	1,516	10,431	169,467	179,898	
Real estate residential	4,667	1,074	3,428	9,169	191,682	200,851	
Consumer installment loans	7	17	9	33	4,654	4,687	
Total	$ 12,903	$ 3,314	$ 5,289	$ 21,506	$ 427,247	$ 448,753	$

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The following table presents an analysis of covered past due loans as of March 31, 2014, December 31, 2013 and March 31, 2013:

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
				(Dollars in Thousands)			
As of March 31, 2014:							
Commercial, financial & agricultural	$ 688	$ 55	$ 8,976	$ 9,719	$ 15,094	$ 24,813	$
Real estate construction & development	4,248	302	14,472	19,022	22,412	41,434	
Real estate commercial & farmland	15,732	3,722	17,680	37,134	177,515	214,649	
Real estate residential	3,579	1,585	9,752	14,916	76,456	91,372	1,396
Consumer installment loans	2	50	103	155	271	426	
Total	$ 24,249	$ 5,714	$ 50,983	$ 80,946	$ 291,748	$ 372,694	$ 1,396

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Loans Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
				(Dollars in Thousands)			
As of December 30, 2013:							
Commercial, financial & agricultural	$ 3,966	$ 12	$ 6,165	$ 10,143	$ 16,407	$ 26,550	$
Real estate construction & development	843	144	14,055	15,042	28,137	43,179	
Real estate commercial & farmland	8,482	4,350	26,428	39,260	185,191	224,451	346
Real estate residential	7,648	1,914	10,244	19,806	75,367	95,173	
Consumer installment loans	51	14	305	370	514	884	
Total	$ 20,990	$ 6,434	$ 57,197	$ 84,621	$ 305,616	$ 390,237	$ 346

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

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

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Impaired Loans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
			(Dollars in Thousands)			
As of March 31, 2013:						
Commercial, financial & agricultural	$ 24,301	$ 8,754	$	$ 8,754	$	$ 9,778
Real estate construction & development	78,421	23,978		23,978		23,607
Real estate commercial & farmland	139,197	55,822		55,822		60,026
Real estate residential	54,422	31,310		31,310		33,823

Consumer installment loans	324	243		243		273
Total	$ 296,665	$ 120,107	$	$ 120,107	$	$ 127,507

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Credit Quality Indicators

The Company uses a nine category risk grading system to assign a risk grade to each loan in the portfolio. The following is a description of the general characteristics of the grades:

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

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

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

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

Grade 25 Minimum Acceptable Credit This grade includes loans which exhibit all the characteristics of a *Satisfactory Credit*, but warrant more than normal level of banker supervision due to: (i) circumstances which elevate the risks of performance (such as start-up operations, untested management, heavy leverage and interim losses); (ii) adverse, extraordinary events that have affected, or could affect, the borrower s cash flow, financial condition, ability to continue operating profitability or refinancing (such as death of principal, fire and divorce); (iii) loans that require more than the normal servicing requirements (such as any type of construction financing, acquisition and development loans, accounts receivable or inventory loans and floor plan loans); (iv) existing technical exceptions which raise some doubts about the Bank s perfection in its collateral position or the continued financial capacity of the borrower; or (v) improvements in formerly criticized borrowers, which may warrant banker supervision.

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

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

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

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

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

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$ 86,688	$	$ 259	$ 478	$ 6,380	$	$ 93,805
15	26,730	5,483	153,285	57,119	1,346		243,963
20	90,692	48,872	454,292	192,492	17,678	13,692	817,718
23	120	9,111	9,784	11,765	276		31,056
25	55,827	76,962	178,174	100,634	5,580		417,177
30	5,386	2,889	15,324	14,440	201		38,240
40	5,001	6,226	25,112	16,063	884		53,286
50	127			10			137
60							
Total	$ 270,571	$ 149,543	$ 836,230	$ 393,001	$ 32,345	$ 13,692	$ 1,695,382

The following table presents the loan portfolio, excluding purchased non-covered and covered loans, by risk grade as of December 31, 2013:

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$ 66,983	$	$ 265	$ 419	$ 6,714	$	$ 74,381
15	24,789	4,655	147,157	52,335	1,276		230,212
20	93,852	45,195	431,790	165,339	18,619	18,256	773,051
23	127	8,343	10,219	12,641	274		31,604
25	50,373	78,736	181,645	103,427	6,310		420,491
30	2,111	2,876	11,849	13,558	197		30,591
40	6,011	6,566	25,398	19,153	859		57,987
50	127			10			137
60							
Total	$ 244,373	$ 146,371	$ 808,323	$ 366,882	$ 34,249	$ 18,256	$ 1,618,454

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

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$ 32,223	$	$ 304	$ 500	$ 7,241	$	$ 40,268
15	11,569	4,794	146,563	68,212	1,635		232,773
20	75,503	34,947	385,984	138,634	19,623	11,086	665,777
23	45	6,606	8,970	13,662	120		29,403
25	52,631	66,012	187,567	112,096	7,340		425,646
30	3,324	6,004	12,334	10,573	250		32,485
40	5,494	11,643	24,505	23,379	1,126		66,147
50	99	155					254
60							
Total	$ 180,888	$ 130,161	$ 766,227	$ 367,056	$ 37,335	$ 11,086	$ 1,492,753

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

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$ 1,932	$	$	$ 287	$ 328	$	$ 2,547
15	4,408	52	12,422	14,231	679		31,792
20	4,596	3,907	43,132	33,553	1,218		86,406
23							
25	19,213	22,780	102,918	134,653	1,965		281,529
30	235	697	3,387	2,660	20		6,999
40	426	4,384	12,422	10,694	70		27,996
50							
60							
Total	$ 30,810	$ 31,820	$ 174,281	$ 196,078	$ 4,280	$	$ 437,269

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

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
	(Dollars in Thousands)						
10	$ 1,865	$	$	$ 289	$ 451	$	$ 2,605
15	4,606	7	12,998	16,160	703		34,474
20	5,172	3,960	43,802	34,576	1,383		88,893
23							
25	19,638	20,733	102,260	129,923	1,888		274,442
30	576	1,760	9,554	10,878	194		22,962
40	284	4,716	11,284	9,025	68		25,377
50							
60							
Total	$ 32,141	$ 31,176	$ 179,898	$ 200,851	$ 4,687	$	$ 448,753

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

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
			(Dollars in Thousands)				
10	$	$	$	$	$	$	$
15		10	1,024	650			1,684
20	1,769	7,760	35,625	19,613	151		64,918
23	139	978	17,416	4,870	51		23,454
25	6,921	9,182	101,948	38,140	42		156,233
30	5,106	1,185	17,625	7,025	3		30,944
40	10,878	22,319	41,011	21,074	179		95,461
50							
60							
Total	$ 24,813	$ 41,434	$ 214,649	$ 91,372	$ 426	$	$ 372,694

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

Risk Grade	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans	Other	Total
			(Dollars in Thousands)				
10	$	$	$	$	$	$	$
15		16	1,048	638			1,702
20	2,184	8,549	34,674	21,363	193		66,963
23	134	1,085	17,037	4,748	51		23,055
25	7,508	9,611	101,657	38,427	235		157,438
30	5,125	2,006	21,297	6,979	17		35,424
40	11,599	21,912	48,738	23,018	388		105,655
50							
60							
Total	$ 26,550	$ 43,179	$ 224,451	$ 95,173	$ 884	$	$ 390,237

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

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

agricultural development

(Dollars in Thousands)

10	$	$	$	$	$	$	$
15		34	1,598	638			2,270
20	3,117	11,106	36,020	27,547	266		78,056
23	75	1,248	9,153	1,946			12,422
25	8,135	10,184	110,985	40,863	508		170,675
30	2,979	4,457	35,601	8,784	50		51,871
40	14,262	30,085	66,802	33,890	391		145,430
50							
60							
Total	$ 28,568	$ 57,114	$ 260,159	$ 113,668	$ 1,215	$	$ 460,724

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Troubled Debt Restructurings

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

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

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

In the normal course of business, the Company renews loans with a modification of the interest rate or terms that are not deemed as troubled debt restructurings because the borrower is not experiencing financial difficulty. The Company modified loans in the first three months of 2014 and 2013 totaling $6.3 million and $27.4 million, respectively, under such parameters. In addition, the Company offers consumer loan customers an annual skip-a-pay program that is based on certain qualifying parameters and not based on financial difficulties. The Company does not treat these as troubled debt restructurings.

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

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

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

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

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

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

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

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

As of March 31, 2013	**Loans Currently Paying Under Restructured Terms**		**Loans that have Defaulted Under Restructured Terms**	
Loan class:	**#**	**Balance *(in thousands)***	**#**	**Balance *(in thousands)***
Commercial, financial & agricultural	5	$ 799		$
Real estate construction & development	5	1,883	1	43
Real estate commercial & farmland	16	8,878	3	3,595
Real estate residential	26	6,953	3	1,111
Consumer installment			1	6

Total	52	$	18,513	8	$	4,755

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

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

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

As of March 31, 2013	**Accruing Loans**		**Non-Accruing Loans**	
		Balance		**Balance**
Type of Concession:	**#**	***(in thousands)***	**#**	***(in thousands)***
Forbearance of Interest	2	$ 1,843		$
Forgiveness of Principal	3	1,504	1	207
Payment Modification Only	2	376		
Rate Reduction Only	10	7,033	2	182
Rate Reduction, Forbearance of Interest	17	4,046	2	3,100
Rate Reduction, Forbearance of Principal	18	3,711	1	255
Rate Reduction, Payment Modification			2	1,011
Total	52	$ 18,513	8	$ 4,755

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

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

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

As of March 31, 2013	**Accruing Loans**			**Non-Accruing Loans**		
			Balance			**Balance**
Collateral type:	**#**		***(in thousands)***	**#**		***(in thousands)***
Warehouse	3	$	1,689	1	$	176
Raw Land	1		1,285	1		43
Hotel & Motel	3		2,273			
Office	4		2,095	1		2,450

Retail, including Strip Centers	6		2,821	1		969
1-4 Family Residential	30		7,550	3		1,111
Life Insurance Policy	1		250			
Automobile/Equipment/Inventory	3		500	1		6
Unsecured	1		50			
Total	52	$	18,513	8	$	4,755

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2013	Loans Currently Paying Under Restructured Terms			Loans that have Defaulted Under Restructured Terms		
Loan class:	#		Balance *(in thousands)*	#		Balance *(in thousands)*
Commercial, financial & agricultural	5	$	45	1	$	40
Real estate construction & development	5		3,273	2		34
Real estate commercial & farmland	15		7,543	3		3,658
Real estate residential	68		9,206	23		3,455
Consumer installment	2		10			
Total	95	$	20,077	29	$	7,187

As of March 31, 2013	Loans Currently Paying Under Restructured Terms			Loans that have Defaulted Under Restructured Terms		
Loan class:	#		Balance *(in thousands)*	#		Balance *(in thousands)*
Commercial, financial & agricultural	1	$	36	1	$	
Real estate construction & development	8		5,022	3		788
	14		6,603	5		4,819

Real estate commercial & farmland						
Real estate residential	52		8,373	10		1,909
Consumer installment	1		6			
Total	76	$	20,040	19	$	7,516

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

As of March 31, 2014	Accruing Loans		Non-Accruing Loans	
Type of Concession:	#	Balance *(in thousands)*	#	Balance *(in thousands)*
Forbearance of Interest		$	4	$ 127
Forgiveness of Principal				
Payment Modification Only				
Rate Reduction Only	90	18,578	10	1,043
Rate Reduction, Forbearance of Interest	3	88	8	471
Rate Reduction, Forbearance of Principal	9	3,259	5	3,384
Rate Reduction, Payment Modification	1	850		
Total	103	$ 22,775	27	$ 5,025

As of December 31, 2013	Accruing Loans		Non-Accruing Loans	
Type of Concession:	#	Balance *(in thousands)*	#	Balance *(in thousands)*
Forbearance of Interest		$	3	$ 98
Forgiveness of Principal				
Payment Modification Only				
Rate Reduction Only	89	18,687	9	953
Rate Reduction, Forbearance of Interest	3	88	8	478
Rate Reduction, Forbearance of Principal	7	2,613	4	3,492
Rate Reduction, Payment Modification	1	855		
Total	100	$ 22,243	24	$ 5,021

As of March 31, 2013	Accruing Loans		Non-Accruing Loans	
Type of Concession:	#	Balance *(in thousands)*	#	Balance *(in thousands)*
Forbearance of Interest	3	$ 232	6	$ 1,077
Forgiveness of Principal			1	
Payment Modification Only				
Rate Reduction Only	61	15,897	8	1,820
Rate Reduction, Forbearance of Interest	4	456	2	1,362
Rate Reduction, Forbearance of Principal	6	2,322	3	3,535
Rate Reduction, Payment Modification	1	855		
Total	75	$ 19,762	20	$ 7,794

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

As of March 31, 2014	Accruing Loans			Non-Accruing Loans		
Collateral type:	#		Balance *(in thousands)*	#		Balance *(in thousands)*
Warehouse		$		2	$	486
Raw Land	1		374	5		59
Hotel & Motel	7		4,867			
Office	2		1,342	1		73
Retail, including Strip Centers	5		3,819	3		3,287
1-4 Family Residential	87		12,359	11		1,052
Automobile/Equipment/Inventory				5		68
Unsecured	1		14			
Total	103	$	22,775	27	$	5,025

As of December 31, 2013	Accruing Loans			Non-Accruing Loans		
Collateral type:	#		Balance *(in thousands)*	#		Balance *(in thousands)*
Warehouse		$		1	$	377
Raw Land	1		375	3		37
Hotel & Motel	6		5,118	1		155
Office	1		855	1		78
Retail, including Strip Centers	6		3,853	2		3,337
1-4 Family Residential	85		12,029	11		966
Automobile/Equipment/Inventory				5		71
Unsecured	1		13			
Total	100	$	22,243	24	$	5,021

As of March 31, 2013	Accruing Loans			Non-Accruing Loans		
Collateral type:	#		Balance *(in thousands)*	#		Balance *(in thousands)*
Warehouse	1	$	379		$	
Raw Land	4		2,496	2		772
Hotel & Motel	6		3,650	1		166
Office	1		855	1		87
Retail, including Strip Centers	7		3,769	4		4,732
1-4 Family Residential	54		8,563	11		2,037
Automobile/Equipment/Inventory	1		36	1		
Unsecured	1		14			

Total	75	$	19,762	20	$	7,794

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Allowance for Loan Losses

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

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

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

During the three months ended March 31, 2014, the year ended December 31, 2013 and the three months ended March 31, 2013, the Company recorded provision for loan loss expense of $225,000, $1.5 million and $320,000, 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.

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The following table details activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2014, the year ended December 31, 2013 and the three months ended March 31, 2013. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans and Other	Total
			(Dollars in thousands)			
Balance, January 1, 2014	$ 1,823	$ 5,538	$ 8,393	$ 6,034	$ 589	$ 22,377
Provision for loan losses	1,090	337	622	(656)	108	1,501
Loans charged off	(743)	(65)	(533)	(181)	(84)	(1,606)
Recoveries of loans previously charged off	49	108	143	83	89	472
Balance, March 31, 2014	$ 2,219	$ 5,918	$ 8,625	$ 5,280	$ 702	$ 22,744
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 318	$ 631	$ 1,994	$ 1,133	$	$ 4,076
Loans collectively evaluated for impairment	1,901	5,287	6,631	4,147	702	18,668
Ending balance	$ 2,219	$ 5,918	$ 8,625	$ 5,280	$ 702	$ 22,744
Loans:						
Individually evaluated for impairment	$ 2,837	$ 3,817	$ 16,832	$ 14,602	$	$ 38,088
Collectively evaluated for impairment	267,734	145,726	819,398	378,399	46,037	1,657,294
Ending balance	$ 270,571	$ 149,543	$ 836,230	$ 393,001	$ 46,037	$ 1,695,382

	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans and Other	Total
			(Dollars in thousands)			
Balance, January 1, 2013	$ 2,439	$ 5,343	$ 9,157	$ 5,898	$ 756	$ 23,593
Provision for loan losses	711	1,742	2,777	4,463	254	9,947
Loans charged off	(1,759)	(2,020)	(3,571)	(5,215)	(719)	(13,284)
	432	473	30	888	298	2,121

Recoveries of loans previously charged off						
Balance, December 31, 2013	$ 1,823	$ 5,538	$ 8,393	$ 6,034	$ 589	$ 22,377
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 356	$ 407	$ 1,427	$ 1,395	$	$ 3,585
Loans collectively evaluated for impairment	1,467	5,131	6,966	4,639	589	18,792
Ending balance	$ 1,823	$ 5,538	$ 8,393	$ 6,034	$ 589	$ 22,377
Loans:						
Individually evaluated for impairment	$ 3,457	$ 3,581	$ 15,240	$ 16,925	$	$ 39,203
Collectively evaluated for impairment	240,916	142,790	793,083	349,957	52,505	1,579,251
Ending balance	$ 244,373	$ 146,371	$ 808,323	$ 366,882	$ 52,505	$ 1,618,454

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	Commercial, financial & agricultural	Real estate - construction & development	Real estate - commercial & farmland	Real estate - residential	Consumer installment loans and Other	Total
			(Dollars in thousands)			
Balance, January 1, 2013	$ 2,439	$ 5,343	$ 9,157	$ 5,898	$ 756	$ 23,593
Provision for loan losses	254	1,467	696	339	(153)	2,603
Loans charged off	(410)	(655)	(1,025)	(779)	(167)	(3,036)
Recoveries of loans previously charged off	84	2	3	85	48	222
Balance, March 31, 2013	$ 2,367	$ 6,157	$ 8,831	$ 5,543	$ 484	$ 23,382
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 675	$ 641	$ 1,890	$ 1,203	$	$ 4,409
Loans collectively evaluated for impairment	1,692	5,516	6,941	4,340	484	18,973
Ending balance	$ 2,367	$ 6,157	$ 8,831	$ 5,543	$ 484	$ 23,382
Loans:						
Individually evaluated for impairment	$ 3,334	$ 8,281	$ 19,545	$ 14,069	$	$ 45,229
Collectively evaluated for impairment	177,554	121,880	746,682	352,987	48,421	1,447,524
Ending balance	$ 180,888	$ 130,161	$ 766,227	$ 367,056	$ 48,421	$ 1,492,753

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NOTE 6 ASSETS ACQUIRED IN FDIC-ASSISTED ACQUISITIONS

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

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

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

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

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The following table summarizes components of all covered assets at March 31, 2014, December 31, 2013 and March 31, 2013 and their origin:

As of March 31, 2014:	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
	(Dollars in thousands)								
AUB	$ 13,629	$ 220	$	$ 13,409	$ 4,264	$	$ 4,264	$ 17,673	$ 1,190
USB	15,668	935		14,733	3,366	135	3,231	17,964	535
SCB	33,896	1,274		32,622	3,122	303	2,819	35,441	2,781
FBJ	24,281	2,768		21,513	1,850	253	1,597	23,110	3,034
DBT	100,909	13,138		87,771	12,250	1,092	11,158	98,929	14,947
TBC	31,576	2,119		29,457	4,681	761	3,920	33,377	3,425
HTB	61,560	6,596	34	54,930	7,263	2,349	4,914	59,844	8,540
OGB	55,569	4,564	89	50,916	8,169	2,984	5,185	56,101	6,815
CBG	77,767	10,364	60	67,343	7,127	1,579	5,548	72,891	11,914
Total	$ 414,855	$ 41,978	$ 183	$ 372,694	$ 52,092	$ 9,456	$ 42,636	$ 415,330	$ 53,181

As of December 31, 2013:	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
	(Dollars in thousands)								
AUB	$ 15,787	$ 231	$	$ 15,556	$ 4,264	$	$ 4,264	$ 19,820	$ 1,452
USB	18,504	1,427		17,077	2,865	141	2,724	19,801	889
SCB	34,637	1,483		33,154	3,461	303	3,158	36,312	3,175
FBJ	25,891	3,730		22,161	1,880	242	1,638	23,799	3,689
DBT	105,157	17,819		87,338	17,023	1,282	15,741	103,079	18,724
TBC	32,590	2,340	14	30,236	4,844	745	4,099	34,335	3,721
HTB	67,126	7,321	38	59,767	6,374	2,304	4,070	63,837	9,325
OGB	58,512	4,969	98	53,445	7,506	2,984	4,522	57,967	9,645
CBG	85,118	13,535	80	71,503	7,610	1,933	5,677	77,180	14,821
Total	$ 443,322	$ 52,855	$ 230	$ 390,237	$ 55,827	$ 9,934	$ 45,893	$ 436,130	$ 65,441

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

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

Total Amounts	**March 31, 2014**	**December 31, 2013**	**March 31, 2013**
		(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)	$ 5,622	$ 51,003	$ 4,052
Adjustments needed where the Company s initial estimate of cash flows were overstated: (recorded through a provision for loan losses)	1,125	7,695	1,600

Amounts reflected in the Company s Statement of Earnings	**March 31, 2014**	**December 31, 2013**	**March 31, 2013**
		(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)	$ 1,124	$ 10,201	$ 810
Adjustments needed where the Company s initial estimate of cash flows were overstated: (recorded through a provision for loan losses)	225	1,539	320

A rollforward of acquired loans with deterioration of credit quality for the three months ended March 31, 2014, the year ended December 31, 2013 and the three months ended March 31, 2013 is shown below:

(Dollars in Thousands)	**March 31, 2014**	**December 31, 2013**	**March 31, 2013**
Balance, January 1	$ 217,047	$ 282,737	$ 282,737
Change in estimate of cash flows, net of charge-offs or recoveries	4,659	35,306	(5,391)
Additions due to acquisitions			
Other (loan payments, transfers, etc.)	(16,505)	(100,996)	(22,279)
Ending balance	$ 205,201	$ 217,047	$ 255,067

A rollforward of acquired loans without deterioration of credit quality for the three months ended March 31, 2014, the year ended December 31, 2013 and the three months ended March 31, 2013 is shown below:

(Dollars in Thousands)	March 31, 2014	December 31, 2013	March 31, 2013
Balance, January 1	$ 173,190	$ 228,602	$ 228,602
Change in estimate of cash flows, net of charge-offs or recoveries	2,571	13,471	(2,625)
Additions due to acquisitions			
Other (loan payments, transfers, etc.)	(8,268)	(68,883)	(20,229)
Ending balance	$ 167,493	$ 173,190	$ 205,748

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The following is a summary of changes in the accretable discounts of acquired loans during the three months ended March 31, 2014, the year ended December 31, 2013 and the three months ended March 31, 2013:

(Dollars in Thousands)	March 31, 2014	December 31, 2013	March 31, 2013
Balance, January 1	$ 25,493	$ 16,698	$ 16,698
Additions due to acquisitions			
Accretion	(15,024)	(42,208)	(7,218)
Other activity, net	5,622	51,003	4,052
Ending balance	$ 16,091	$ 25,493	$ 13,532

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, 2014, for the year ended December 31, 2013 and for the three months ended March 31, 2013 are as follows:

(Dollars in Thousands)	March 31, 2014	December 31, 2013	March 31, 2013
Balance, January 1	$ 65,441	$ 159,724	$ 159,724
Indemnification asset recorded in acquisitions			
Payments received from FDIC	(6,773)	(68,822)	(6,324)
Effect of change in expected cash flows on covered assets	(5,487)	(25,461)	7,579
Ending balance	$ 53,181	$ 65,441	$ 160,979

NOTE 7 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,	
	2014	2013
	(share data in thousands)	
Basic shares outstanding	25,144	23,868
Plus: Dilutive effect of ISOs	95	63
Plus: Dilutive effect of Restricted Grants	334	315

Diluted shares outstanding	25,573	24,246

For the quarters ended March 31, 2014 and 2013, the Company has excluded 268,000 and 408,000, respectively, potential common shares with strike prices that would cause them to be anti-dilutive.

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NOTE 8 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, 2014 and December 31, 2013, there were $59.7 million and $194.6 million, respectively, outstanding borrowings with the Company s correspondent banks. At March 31, 2013, there were no outstanding borrowings with the Company s correspondent banks.

Other borrowings consist of the following:

(Dollars in Thousands)	March 31, 2014	December 31, 2013	March 31, 2013
Daily Rate Credit from Federal Home Loan Bank with a fixed interest rate of 0.36%	$ 25,000	$	$
Advance from Federal Home Loan Bank with a fixed interest rate of 0.17%, due January 24, 2014		165,000	
Advances under revolving credit agreement with a regional bank with interest at 90-day LIBOR plus 4.00% (4.24% at March 31, 2014) due in August 2016, secured by subsidiary bank stock	10,000	10,000	
Advance from correspondent bank with a fixed interest rate of 4.50%, due November 27, 2017, secured by subsidiary bank loan receivable			
Subordinated debt issued by Prosperity Bank due June 2016 with an interest rate of 90-day LIBOR plus 1.60% (1.84% at March 31, 2014)	5,000	5,000	
Subordinated debt issued by The Prosperity Banking Company due September 2016 with an interest rate of 90-day LIBOR plus 1.75% (1.98% at March 31, 2014)	14,714	14,572	
Total	$ 59,677	$ 194,572	$

NOTE 9 COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

(Dollars in Thousands)	**March 31, 2014**	**December 31, 2013**	**March 31, 2013**
Commitments to extend credit	$ 271,072	$ 257,195	$ 190,813
Standby letters of credit	$ 7,961	$ 7,665	$ 6,747

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NOTE 10 ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income for the Company consists of changes in net unrealized gains and losses on investment securities available for sale and interest rate swap derivatives. The following tables present a summary of the accumulated other comprehensive income balances, net of tax, as of March 31, 2014 and 2013.

(Dollars in Thousands)	Unrealized Gain (Loss) on Derivatives	Unrealized Gain (Loss) on Securities	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2014	$ 1,397	$ (1,691)	$ (294)
Reclassification for gains included in net income		(4)	(4)
Current year changes	(266)	2,938	2,672
Balance, March 31, 2014	$ 1,131	$ 1,243	$ 2,374

(Dollars in Thousands)	Unrealized Gain (Loss) on Derivatives	Unrealized Gain (Loss) on Securities	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2013	$ (23)	$ 6,630	$ 6,607
Reclassification for gains included in net income		(112)	(112)
Current year changes	208	(429)	(221)
Balance, March 31, 2013	$ 185	$ 6,089	$ 6,274

NOTE 11 SEGMENT REPORTING

The following tables present selected financial information with respect to the Company s reportable business segments for the three- month periods ended March 31, 2014 and 2013.

	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
	Retail Banking	Mortgage Banking	Total	Retail Banking	Mortgage Banking	Total
	(Dollars in Thousands)					
Net interest income	$ 33,384	$ 1,100	$ 34,484	$ 27,766	$ 572	$ 28,338
Provision for loan losses	1,726		1,726	2,923		2,923
Noninterest income	7,590	5,164	12,754	6,896	4,464	11,360
Noninterest expense:						
Salaries and employee benefits	13,826	3,568	17,394	11,037	2,769	13,806

Equipment and occupancy expenses	3,762	302	4,064	2,765	166	2,931
Data processing and telecommunications expenses	3,332	122	3,454	2,471	99	2,570
Other expenses	7,512	815	8,327	8,890	687	9,577
Total noninterest expense	28,432	4,807	33,239	25,163	3,721	28,884
Income before income tax expense	10,816	1,457	12,273	6,576	1,315	7,891
Income tax expense	3,413	510	3,923	2,146	460	2,606
Net income	7,403	947	8,350	4,430	855	5,285
Less preferred stock dividends	286		286	441		441
Net income available to common shareholders	$ 7,117	$ 947	$ 8,064	$ 3,989	$ 855	$ 4,844
Total assets	$ 3,359,912	$ 128,072	$ 3,487,984	$ 2,784,883	$ 76,768	$ 2,861,651
Stockholders equity	296,978	3,052	300,030	282,851	871	283,722

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Cautionary Note Regarding Any Forward-Looking Statements

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, sho indicate, would, believe, contemplate, expect, estimate, continue, plan, point to, project, predict potential and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation, legislative and regulatory initiatives; additional competition in our markets; potential business strategies, including acquisitions or dispositions of assets or internal restructuring, that may be pursued by us; state and federal banking regulations; changes in or application of environmental and other laws and regulations to which we are 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 our filings with the Securities and Exchange Commission under the Exchange Act.

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

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Selected Financial Data

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.

	2014	2013			
(in thousands, except share data, taxable equivalent)	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Results of Operations:					
Net interest income	$ 34,484	$ 29,051	$ 29,320	$ 29,476	$ 28,338
Net interest income (tax equivalent)	34,808	29,325	29,542	29,666	28,695
Provision for loan losses	1,726	1,478	2,920	4,165	2,923
Non-interest income	12,754	11,517	12,288	11,384	11,360
Non-interest expense	33,239	37,624	28,749	26,688	28,884
Income tax expense	3,923	88	3,262	3,329	2,606
Preferred stock dividends	286	412	443	442	441
Net income available to common shareholders	8,064	966	6,234	6,236	4,844
Selected Average Balances:					
Mortgage loans held for sale	$ 49,397	$ 65,683	$ 61,249	$ 48,890	$ 32,639
Loans, net of unearned income	1,639,672	1,602,942	1,564,311	1,523,654	1,455,687
Purchased non-covered loans	441,138	43,900			
Covered loans	379,460	401,045	427,482	444,616	491,691
Investment securities	462,343	327,993	312,541	321,582	340,564
Earning assets	3,091,546	2,625,178	2,439,771	2,397,834	2,428,720
Assets	3,521,588	2,937,434	2,806,799	2,820,863	2,875,274
Deposits	2,975,305	2,552,819	2,439,150	2,448,171	2,511,511
Common shareholders equity	290,462	248,429	246,489	251,240	251,214
Period-End Balances:					
Mortgage loans held for sale	$ 51,693	$ 67,278	$ 69,634	$ 62,580	$ 42,332
Loans, net of unearned income	1,695,382	1,618,454	1,589,267	1,555,827	1,492,753
Purchased non-covered loans	437,269	448,753			
Covered loans	372,694	390,237	417,649	443,517	460,724
Earning assets	3,062,428	3,215,941	2,462,697	2,421,996	2,401,043
Total assets	3,487,984	3,667,649	2,818,502	2,808,675	2,861,651
Deposits	3,010,647	2,999,231	2,443,421	2,443,103	2,489,973
Common shareholders equity	300,030	288,699	262,418	259,932	255,969
Per Common Share Data:					
Earnings per share Basic	$ 0.32	$ 0.04	$ 0.26	$ 0.26	$ 0.20
Earnings per share Diluted	0.32	0.04	0.26	0.26	0.20
Common book value per share	11.93	11.50	10.98	10.88	10.72
End of period shares outstanding	25,159,073	25,098,427	23,907,509	23,894,327	23,875,680
Weighted average shares outstanding					
Basic	25,144,342	24,021,447	23,900,665		