Ameris Bancorp
Form 10-K
March 01, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018, or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission File Number
001-13901

AMERIS BANCORP
(Exact name of registrant as specified in its charter)

GEORGIA	58-1456434
(State of incorporation)	(IRS Employer ID No.)

310 FIRST ST., SE, MOULTRIE, GA 31768
(Address of principal executive offices)
(229) 890-1111
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, Par Value $1 Per Share
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨
Non-accelerated filer ¨ Smaller reporting company ¨

Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

As of the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant was approximately $2,473,151,338.

As of February 19, 2019, the registrant had outstanding 47,498,950 shares of common stock, $1.00 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2019 Annual Meeting of Shareholders are incorporated into Part III hereof by reference.

AMERIS BANCORP
TABLE OF CONTENTS

CAUTIONARY NOTE
REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Annual Report") and the documents incorporated by reference herein may contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by the use of words such as "may," "might," "will," "would," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "probable," "potential," "continue," "look forward," or "assume," and words of similar import. Forward-looking statements are not historical facts but instead express only management's beliefs regarding future results or events, many of which, by their nature, are inherently uncertain and outside of management's control. It is possible that actual results and events may differ, possibly materially, from the anticipated results or events indicated in these forward-looking statements. Forward-looking statements are not guarantees of future performance, and we caution you not to place undue reliance on these statements.

You should understand that important factors, including the following, in addition to those described in Part I, Item 1A., "Risk Factors," and elsewhere in this Annual Report, as well as in the documents which are incorporated by reference into this Annual Report, and those described from time to time in our future reports filed with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), could cause actual results to differ materially from those expressed in such forward-looking statements:

- the risks of any acquisitions, mergers or divestitures which we may undertake in the future, including, without limitation, the related time and costs of implementing such transactions, integrating operations as part of these transactions and possible failures to achieve expected gains, revenue growth, expense savings and/or other results from such transactions;
- the effects of future economic, business and market conditions and changes, including seasonality;
- legislative and regulatory changes, including changes in banking, securities and tax laws, regulations and policies and their application by our regulators;
- changes in accounting rules, practices and interpretations;
- the risks of changes in interest rates on the levels, composition and costs of deposits, loan demand, and the values and liquidity of loan collateral, securities and interest-sensitive assets and liabilities;
- changes in borrower credit risks and payment behaviors;
- changes in the availability and cost of credit and capital in the financial markets;
- changes in the prices, values and sales volumes of residential and commercial real estate;
- the effects of concentrations in our loan portfolio;
- our ability to resolve nonperforming assets;
- the failure of assumptions and estimates underlying the establishment of reserves for possible loan losses and other estimates and valuations;
- changes in technology or products that may be more difficult, costly or less effective than anticipated; and

- the effects of war or other conflicts, acts of terrorism, hurricanes, floods, tornados or other catastrophic events that may affect economic conditions.

Our management believes the forward-looking statements about us are reasonable. However, you should not place undue reliance on them. Any forward-looking statements in this Annual Report and the documents incorporated by reference herein are not guarantees of future performance. They involve risks, uncertainties and assumptions, and actual results, developments and business decisions may differ from those contemplated by those forward-looking statements, and such differences may be material. Many of the factors that will determine these results are beyond our ability to control or predict. We disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section.

PART I

As used in this Annual Report, the terms “we,” “us,” “our,” “Ameris” and the “Company” refer to Ameris Bancorp and its subsidiaries (unless the context indicates another meaning).

ITEM 1. BUSINESS
OVERVIEW

We are a financial holding company whose business is conducted primarily through our wholly owned banking subsidiary, Ameris Bank (the “Bank”), which provides a full range of banking services to its retail and commercial customers who are primarily concentrated in select markets in Georgia, Alabama, Florida and South Carolina. Ameris was incorporated on December 18, 1980 as a Georgia corporation. The Company’s executive office is located at 310 First St., S.E., Moultrie, Georgia 31768, our telephone number is (229) 890-1111 and our internet address is www.amerisbank.com. We operate 125 domestic banking offices. We do not operate in any foreign countries. At December 31, 2018, we had approximately $11.44 billion in total assets, $8.62 billion in total loans, $9.65 billion in total deposits and $1.46 billion of shareholders’ equity. Our deposits are insured, up to applicable limits, by the Federal Deposit Insurance Corporation (the “FDIC”).

We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge on our website at www.amerisbank.com as soon as reasonably practicable after we electronically file such material with the SEC. These reports are also available without charge on the SEC’s website at www.sec.gov.

The Parent Company

Our primary business as a bank holding company is to manage the business and affairs of the Bank. As a bank holding company, we perform certain shareholder and investor relations functions and seek to provide financial support, if necessary, to the Bank.

Ameris Bank

Our principal subsidiary is the Bank, which is headquartered in Moultrie, Georgia and operates branches primarily concentrated in select markets in Georgia, Alabama, Florida and South Carolina. These branches serve distinct communities in our business areas with autonomy but do so as one bank, leveraging our favorable geographic footprint in an effort to acquire more customers.

Capital Trust Securities

On September 20, 2006, the Company completed a private placement of an aggregate of $36,000,000 of trust preferred securities. The placement occurred through a statutory trust subsidiary of Ameris, Ameris Statutory Trust I (the “Trust”). The trust preferred securities carry a quarterly adjustable interest rate of 1.63% over the 3-Month LIBOR. The trust preferred securities mature on December 15, 2036, and became redeemable at the Company’s option on September 15, 2011.

On December 16, 2005, Ameris acquired First National Banc, Inc. (“FNB”) by merger. In connection with such transaction, Ameris assumed the obligations of FNB related to its prior issuance of trust preferred securities. In 2004, FNB’s statutory trust subsidiary, First National Banc Statutory Trust I, issued $5,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 2.80% through a pool sponsored by a national brokerage firm. These trust preferred securities have a maturity of 30 years and are redeemable at the

Company's option on any quarterly interest payment date.

On December 23, 2013, Ameris acquired The Prosperity Banking Company ("Prosperity") by merger. In connection with such transaction, Ameris assumed the obligations of Prosperity related to the following issuances of trust preferred securities: (i) in 2003, Prosperity's statutory trust subsidiary, Prosperity Bank Statutory Trust II, issued $4,500,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 3.15%; (ii) in 2004, Prosperity's statutory trust subsidiary, Prosperity Banking Capital Trust I, issued $5,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 2.57%; (iii) in 2006, Prosperity's statutory trust subsidiary, Prosperity Bank Statutory Trust III, issued $10,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 1.60%; and (iv) in 2007, Prosperity's statutory trust subsidiary, Prosperity Bank Statutory Trust IV, issued $10,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 1.54%. Each of the foregoing issuances was consummated through a pool sponsored by a national brokerage firm. These trust preferred securities have a maturity of 30 years and are redeemable at the Company's option on any quarterly interest payment date.

On June 30, 2014, Ameris acquired Coastal Bankshares, Inc. (“Coastal”) by merger. In connection with such transaction, Ameris assumed the obligations of Coastal related to the following issuances of trust preferred securities: (i) in 2003, Coastal’s statutory trust subsidiary, Coastal Bankshares Statutory Trust I, issued $5,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 3.15%; and (ii) in 2005, Coastal’s statutory trust subsidiary, Coastal Bankshares Statutory Trust II, issued $10,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 1.60%. Each of the foregoing issuances was consummated through a pool sponsored by a national brokerage firm. These trust preferred securities have a maturity of 30 years and are redeemable at the Company’s option on any quarterly interest payment date.

On May 22, 2015, Ameris acquired Merchants & Southern Banks of Florida, Incorporated (“Merchants”) by merger. In connection with such transaction, Ameris assumed the obligations of Merchants related to the following issuances of trust preferred securities: (i) in 2005, Merchants’ statutory trust subsidiary, Merchants & Southern Statutory Trust I, issued $3,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 1.90%; and (ii) in 2006, Merchants’ statutory trust subsidiary, Merchants & Southern Statutory Trust II, issued $3,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 1.50%. Each of the foregoing issuances was consummated through a pool sponsored by a national brokerage firm. These trust preferred securities have a maturity of 30 years and are redeemable at the Company’s option on any quarterly interest payment date.

On March 11, 2016, Ameris acquired Jacksonville Bancorp, Inc. (“JAXB”) by merger. In connection with such transaction, Ameris assumed the obligations of JAXB related to the following issuances of trust preferred securities: (i) in 2004, JAXB’s statutory trust subsidiary, Jacksonville Statutory Trust I, issued $4,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 2.63%; (ii) in 2006, JAXB’s statutory trust subsidiary, Jacksonville Statutory Trust II, issued $3,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 1.73%; (iii) in 2008, JAXB’s statutory trust subsidiary, Jacksonville Bancorp, Inc. Statutory Trust III, issued $7,550,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 3.75%; and (iv) in 2005, JAXB’s statutory trust subsidiary, Atlantic BancGroup, Inc. Statutory Trust I, issued $3,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 1.50%. Each of foregoing issuances has a maturity of 30 years and is redeemable at the Company’s option on any quarterly interest payment date. Issuances by Jacksonville Statutory Trust I, Jacksonville Statutory Trust II, and Atlantic BancGroup, Inc. Statutory Trust I were consummated through a pool sponsored by a national brokerage firm, whereas the issuance by Jacksonville Bancorp, Inc. Statutory Trust III was consummated as a single issue.

On June 29, 2018, Ameris acquired Hamilton State Bancshares, Inc. (“Hamilton”) by merger. In connection with such transaction, Ameris assumed the obligations of Hamilton related to an issuance of trust preferred securities that Hamilton has assumed in its
acquisition of Cherokee Banking Company on February 17, 2014. In 2005, Cherokee Banking Company's statutory trust subsidiary, Cherokee Statutory Trust I, issued $3,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-Month LIBOR plus 1.50%. The foregoing issuance was consummated through a pool sponsored by a national brokerage firm. These trust preferred securities have a maturity of 30 years and are redeemable at the Company’s option on any quarterly interest payment date.

See the notes to our consolidated financial statements included in this Annual Report for a further discussion of these trust preferred securities.

Strategy

We seek to increase our presence and grow the “Ameris” brand in the markets that we currently serve in Georgia, Alabama, Florida and South Carolina and in neighboring communities that present attractive opportunities for expansion. Management has pursued this objective through an acquisition-oriented growth strategy and a prudent operating strategy. Our community banking philosophy emphasizes personalized service and building broad and deep customer relationships, which has provided us with a substantial base of low cost core deposits. Our markets are managed by senior level, experienced decision makers in a decentralized structure that differentiates us from our larger competitors. Management believes that this structure, along with involvement in and knowledge of our local markets, will continue to provide growth and assist in managing risk throughout our Company.

We have maintained our focus on a long-term strategy of expanding and diversifying our franchise in terms of revenues, profitability and asset size. Our growth over the past several years has been enhanced significantly by bank acquisitions, including Hamilton and Atlantic Coast Financial Corporation ("Atlantic") in 2018, JAXB in 2016, 18 retail branches from Bank of America in 2015, Merchants in 2015, Coastal in 2014, Prosperity in 2013 and ten failed institutions in FDIC-assisted transactions between 2009 and 2012. We expect to continue to take advantage of the consolidation in the financial services industry and enhance our franchise through future acquisitions. We intend to grow within our existing markets, to branch into or acquire financial institutions in existing markets as well as financial institutions in other markets consistent with our capital availability and management abilities.

BANKING SERVICES
Lending Activities

General. The Company maintains a diversified loan portfolio by providing a broad range of commercial and retail lending services to business entities and individuals. We provide agricultural loans, commercial business loans, commercial and residential real estate construction and mortgage loans, consumer loans, revolving lines of credit and letters of credit. The Company also originates first mortgage residential mortgage loans and generally enters into a commitment to sell these loans in the secondary market. We have not made or participated in foreign, energy-related or subprime loans. In addition, the Company does not regularly buy loan participations or portions of national credits but from time to time, may acquire balances subject to participation agreements through acquisition. Less than 1% of the Company's loan portfolio was a loan participation purchased at December 31, 2018.

At December 31, 2018, our loan portfolio totaled approximately $8.62 billion, representing approximately 75.4% of our total assets. For additional discussion of our loan portfolio, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Loans."

Commercial Real Estate Loans. This portion of our loan portfolio has grown significantly over the past few years and represents the largest segment of our loan portfolio. These loans are generally extended for acquisition, development or construction of commercial properties. The loans are underwritten with an emphasis on the viability of the project, the borrower's ability to meet certain minimum debt service requirements and an analysis and review of the collateral and guarantors, if any.

Residential Real Estate Mortgage Loans. Ameris originates adjustable and fixed-rate residential mortgage loans. These mortgage loans are generally originated under terms and conditions consistent with secondary market guidelines. Some of these loans will be placed in the Company's loan portfolio; however, a majority are sold in the secondary market. The residential real estate mortgage loans that are included in the Company's loan portfolio are usually owner-occupied and generally amortized over a 20- to 30-year period with three- to five-year maturity or repricing. In addition, during 2015 and 2016, the Company purchased residential mortgage loan pools collateralized by properties located outside our Southeast markets, specifically in California, Washington and Illinois.

Agricultural Loans. Our agricultural loans are extended to finance crop production, the purchase of farm-related equipment or farmland and the operations of dairies, poultry producers, livestock producers and timber growers. Agricultural loans typically involve seasonal balance fluctuations. Although we typically look to an agricultural borrower's cash flow as the principal source of repayment, agricultural loans are also generally secured by a security interest in the crops or the farm-related equipment and, in some cases, an assignment of crop insurance and mortgage on real estate. The lending officer visits the borrower regularly during the growing season and re-evaluates the loan in light of the borrower's updated cash flow projections. A portion of our agricultural loans is guaranteed by the Farm Service Agency Guaranteed Loan Program.

Commercial and Industrial Loans. Generally, commercial and industrial loans consist of loans made primarily to manufacturers, wholesalers and retailers of goods, service companies, municipalities and other industries. These loans are made for acquisition, expansion and working capital purposes and may be secured by real estate, accounts receivable, inventory, equipment, personal guarantees or other assets. The Company monitors these loans by requesting submission of corporate and personal financial statements and income tax returns. The Company has also generated loans which are guaranteed by the U.S. Small Business Administration (the "SBA"). SBA loans are generally underwritten in the same manner as conventional loans generated for the Bank's portfolio. Periodically, a portion of the loans that are secured by the guaranty of the SBA will be sold in the secondary market. Management believes that making such loans helps the local community and also provides Ameris with a source of income and solid future lending relationships as such businesses grow and prosper. The primary repayment risk for commercial loans is the failure of the business due to economic or financial factors. During 2016, the Bank purchased a pool of commercial insurance premium finance loans made to borrowers throughout the United States and began a division to originate, administer and service these types of loans.

Consumer Loans. Our consumer loans include home improvement, home equity, motor vehicle, loans secured by savings accounts and small unsecured personal credit lines. The terms of these loans typically range from 12 to 240 months and vary based upon the nature of collateral and size of the loan. These loans are generally secured by various assets owned by the consumer. In addition, during 2016, the Bank began purchasing consumer installment home improvement loans made to borrowers throughout the United States.

Credit Administration

We have sought to maintain a comprehensive lending policy that meets the credit needs of each of the communities served by the Bank, including low and moderate-income customers, and to employ lending procedures and policies consistent with this approach. All loans are subject to our corporate loan policy, which is reviewed annually and updated as needed. The loan policy provides that lending officers have sole authority to approve loans of various amounts commensurate with their seniority, experience and needs within the market. Our local market presidents have discretion to approve loans in varying principal amounts up to established limits, and our regional credit officers review and approve loans that exceed such limits.

Individual lending authority is assigned by the Company's Chief Credit Officer, as is the maximum limit of new extensions of credit that may be approved in each market. These approval limits are reviewed annually by the Company and adjusted as needed. All requests for extensions of credit in excess of any of these limits are reviewed by one of six regional credit officers. When the request for approval exceeds the authority level of the regional credit officer, the approval of the Company's Chief Credit Officer and/or the Company's loan committee is required. All new loans or modifications to existing loans in excess of $250,000 are reviewed monthly by the Company's Credit Administration Department with the lender responsible for the credit. In addition, our ongoing loan review program subjects the portfolio to sampling and objective review by our ongoing internal loan review process which is independent of the originating loan officer.

Each lending officer has authority to make loans only in the market area in which his or her Bank office is located and its contiguous counties. Occasionally, our loan committee will approve making a loan outside of the market areas of the Bank, provided the Bank has a prior relationship with the borrower. Our lending policy requires analysis of the borrower's projected cash flow and ability to service the debt.

The Bank has purchased loans outside of its market area. These include residential mortgage loan pools collateralized by properties located outside our Southeast markets, specifically in California, Washington and Illinois, consumer installment home improvement loans made to borrowers throughout the United States and commercial insurance premium finance loans made to borrowers throughout the United States. These purchases were reviewed and approved by the Chief Credit Officer.

We actively market our services to qualified lending customers in both the commercial and consumer sectors. Our commercial lending officers actively solicit the business of new companies entering the market as well as longstanding members of that market's business community. Through personalized professional service and competitive pricing, we have been successful in attracting new commercial lending customers. At the same time, we actively advertise our consumer loan products and continually seek to make our lending officers more accessible.

The Bank continually monitors its loan portfolio to identify areas of concern and to enable management to take corrective action when necessary. Local market presidents and lending officers meet periodically to review all past due loans, the status of large loans and certain other credit or economic related matters. Individual lending officers are responsible for collection of past due amounts and monitoring any changes in the financial status of the borrowers. Loans that are serviced by others, such as certain residential mortgage loans and consumer installment home improvement loans, are monitored by the Company's credit officers, although ultimate collection of past due amounts is the responsibility of the servicing agents.

Investment Activities

Our investment policy is designed to maximize income from funds not needed to meet loan demand in a manner consistent with appropriate liquidity and risk management objectives. Under this policy, our Company may invest in federal, state and municipal obligations, corporate obligations, public housing authority bonds, industrial development revenue bonds, securities issued by Government-Sponsored Enterprises (“GSEs”) and satisfactorily-rated trust preferred obligations. Investments in our portfolio must satisfy certain quality criteria. Our Company’s investments must be “investment-grade” as determined by either Moody’s or Standard and Poor’s. Investment securities where the Company has determined a certain level of credit risk are periodically reviewed to determine the financial condition of the issuer and to support the Company’s decision to continue holding the security. Our Company may purchase non-rated municipal bonds only if the issuer of such bonds is located in the Company’s general market area and such bonds are determined by the Company to have a credit risk no greater than the minimum ratings referred to above. Industrial development authority bonds, which normally are not rated, are purchased only if the issuer is located in the Company’s market area and if the bonds are considered to possess a high degree of credit soundness. Traditionally, the Company has purchased and held investment securities with very high levels of credit quality, favoring investments backed by direct or indirect guarantees of the U.S. government.

While our investment policy permits our Company to trade securities to improve the quality of yields or marketability or to realign the composition of the portfolio, the Bank historically has not done so to any significant extent.

Our investment committee implements the investment policy and portfolio strategies and monitors the portfolio. Reports on all purchases, sales, net profits or losses and market appreciation or depreciation of the bond portfolio are reviewed by our Board of Directors each month. The written investment policy is reviewed annually by the Company's Board of Directors and updated as needed.

The Company's securities are held in safekeeping accounts at approved correspondent banks.

Deposits

The Company provides a full range of deposit accounts and services to both retail and commercial customers. These deposit accounts have a variety of interest rates and terms and consist of interest-bearing and noninterest-bearing accounts, including commercial and retail checking accounts, regular interest-bearing savings accounts, money market accounts, individual retirement accounts and certificates of deposit. Our Bank obtains most of its deposits from individuals and businesses in its market areas.

Brokered deposits are deposits obtained by utilizing an outside broker that is paid a fee. The Bank utilizes brokered deposits to accomplish several purposes, such as (i) acquiring a certain maturity and dollar amount without repricing the Bank's current customers which could increase or decrease the overall cost of deposits and (ii) acquiring certain maturities and dollar amounts to help manage interest rate risk.

Other Funding Sources

The Federal Home Loan Bank ("FHLB") allows the Company to obtain advances through its credit program. These advances are secured by securities owned by the Company and held in safekeeping by the FHLB, FHLB stock owned by the Company and certain qualifying loans secured by real estate, including residential mortgage loans, home equity lines of credit and commercial real estate loans. The Company has a revolving credit agreement with a regional bank, secured by subsidiary bank stock, and the Company maintains credit arrangements with various other financial institutions to purchase federal funds. The Company participates in the Federal Reserve discount window borrowings program.

On March 13, 2017, the Company completed the public offering and sale of $75.0 million in aggregate principal amount of its 5.75% Fixed-To-Floating Rate Subordinated Notes due 2027. The subordinated notes were sold to the public at par. The subordinated notes will mature on March 15, 2027 and through March 14, 2022 will bear a fixed rate of interest of 5.75% per annum. Beginning March 15, 2022, the interest rate on the subordinated notes resets quarterly to a floating rate per annum equal to the then-current three-month LIBOR plus 3.616%.

The Company has long-term subordinated deferrable interest debentures with a net book carrying value of $89.2 million as of December 31, 2018. The majority of these trust preferred securities were assumed as liabilities in previous whole bank acquisitions.

The Company also enters into repurchase agreements. These repurchase agreements are treated as short-term borrowings and are reflected on the Company's balance sheet as such.

Use of Derivatives

The Company seeks to provide stable net interest income despite changes in interest rates. In its review of interest rate risk, the Company considers the use of derivatives to protect interest income on loans or to create a structure in institutional borrowings that limits the Company's cost. During 2017 and 2018, the Company had an interest rate swap with a notional amount of $37.1 million for the purpose of converting from a variable to a fixed interest rate on certain junior subordinated debentures on the Company's balance sheet. The interest rate swap, which is classified as a cash flow hedge, is indexed to 90-day LIBOR.

The Company maintains a risk management program to manage interest rate risk and pricing risk associated with its mortgage lending activities. This program includes the use of forward contracts and other derivatives that are used to offset changes in the value of the mortgage inventory due to changes in market interest rates. As a normal part of its operations, the Company enters into derivative contracts such as forward sale commitments and interest rate lock commitments ("IRLCs") to economically hedge risks associated with overall price risk related to IRLCs and mortgage loans held for sale carried at fair value. The fair value of these instruments amounted to an asset of approximately $2,537,000 and $2,888,000 at December 31, 2018 and 2017, respectively, and a derivative liability of approximately $1,276,000 and $67,000 at December 31, 2018 and 2017, respectively.

CORPORATE RESTRUCTURING AND BUSINESS COMBINATIONS

Fidelity Southern Corporation

On December 17, 2018, the Company and Fidelity Southern Corporation, a Georgia corporation ("Fidelity"), entered into an Agreement and Plan of Merger (the "Fidelity Merger Agreement") pursuant to which Fidelity will merge into Ameris, with Ameris as the surviving entity and immediately thereafter, Fidelity Bank, a Georgia bank wholly owned by Fidelity, will be merged into Ameris Bank, with Ameris Bank as the surviving entity. Fidelity Bank operates 69 full-service banking locations, 50 of which are located in Georgia and 19 of which are located Florida, providing financial products and services to customers primarily in the metropolitan markets of Atlanta, Georgia, and Jacksonville, Orlando, Tallahassee, and Sarasota-Bradenton, Florida. Under the terms of the Fidelity Merger Agreement, Fidelity's shareholders will receive 0.80 shares of Ameris common stock, par value $1.00 per share (the "Common Stock"), for each share of Fidelity common stock they hold. Each outstanding Fidelity restricted stock award will fully vest and be converted into the right to receive 0.80 shares of the Company's Common Stock for each share of Fidelity common stock underlying such award. Each outstanding Fidelity stock option will fully vest and be converted into an option to purchase shares of the Company's Common Stock, with the number of underlying shares and per share exercise price of such option adjusted to reflect the exchange ratio of 0.80. The estimated purchase price is $750.7 million in the aggregate based upon the $34.02 per share closing price of our Common Stock as of December 14, 2018. The merger is subject to customary closing conditions, including the receipt of regulatory approvals and the approval of Ameris and Fidelity shareholders. The transaction is expected to close during the second quarter of 2019. As of December 31, 2018, Fidelity reported assets of $4.73 billion, gross loans of $3.92 billion and deposits of $3.98 billion. The purchase price will be allocated among the net assets of Fidelity acquired as appropriate, with the remaining balance being reported as goodwill.

Hamilton State Bancshares, Inc.

On June 29, 2018, the Company completed its acquisition of Hamilton. Upon consummation of the acquisition, Hamilton was merged with and into the Company, with Ameris as the surviving entity in the merger. At that time, Hamilton's wholly owned banking subsidiary, Hamilton State Bank, was also merged with and into the Bank. The acquisition expanded the Company's existing market presence, as Hamilton State Bank had a total of 28 full-service branches located in Atlanta, Georgia and the surrounding area as well as in Gainesville, Georgia. Under the terms of the merger agreement, Hamilton's shareholders received 0.16 shares of Ameris common stock and $0.93 in cash for each share of Hamilton voting common stock or nonvoting common stock they previously held. As a result, the Company issued 6,548,385 common shares at a fair value of $349.4 million and paid $47.8 million in cash to the former shareholders of Hamilton as merger consideration, resulting in an aggregate purchase price of approximately $397.1 million.

Atlantic Coast Financial Corporation

On May 25, 2018, the Company completed its acquisition of Atlantic. Upon consummation of the acquisition, Atlantic was merged with and into the Company, with Ameris as the surviving entity in the merger. At that time, Atlantic's wholly owned banking subsidiary, Atlantic Coast Bank, was also merged with and into the Bank. The acquisition expanded the Company's existing market presence, as Atlantic Coast Bank had a total of 12 full-service branches located in Jacksonville and Jacksonville Beach, Duval County, Florida, Waycross, Georgia and Douglas, Georgia. Under the terms of the merger agreement, Atlantic's shareholders received 0.17 shares of Ameris common stock and $1.39 in cash for each share of Atlantic common stock they previously held. As a result, the Company issued 2,631,520 shares of Common Stock with a value of approximately $147.8 million and paid $21.5 million in cash to the former shareholders of Atlantic as merger consideration, resulting in an aggregate purchase price of approximately $169.3 million.

US Premium Finance Holding Company

On January 31, 2018, the Company closed on the purchase of the final 70% of the outstanding shares of common stock of US Premium Finance Holding Company ("USPF"), completing its acquisition of USPF and making USPF a wholly owned subsidiary of the Company. Through a series of three acquisition transactions that closed on January 18, 2017, January 3, 2018 and January 31, 2018, the Company issued a total of 1,073,158 shares of its common stock at a fair value of $55.9 million and paid $21.4 million in cash to the former shareholders of USPF. Pursuant to the terms of the Stock Purchase Agreement dated January 25, 2018 under which Company purchased the final 70% of the outstanding shares of common stock of USPF, the selling shareholders of USPF may receive additional cash payments aggregating up to $5.8 million based on the achievement by the Company's premium finance division of certain income targets, between January 1, 2018 and June 30, 2019. As of the January 31, 2018 acquisition date, the present value of the contingent earn-out consideration expected to be paid was $5.7 million. Including the fair value of the Company's common stock issued, cash paid and the present value of the contingent earn-out consideration expected to be paid, the aggregate purchase price of USPF amounted to $83.0 million.

Jacksonville Bancorp, Inc.

On March 11, 2016, Ameris acquired JAXB by merger, at which time JAXB's wholly owned banking subsidiary, The Jacksonville Bank ("Jacksonville Bank"), also was merged with and into the Bank. JAXB was headquartered in Jacksonville, Florida and it operated eight full-service branches located in Jacksonville and Jacksonville Beach, Duval County, Florida. The acquisition expanded the Company's existing market presence in the Jacksonville market. The consideration for the acquisition was a combination of cash and our Common Stock, with an aggregate purchase price of approximately $96.4 million. The total consideration consisted of $23.9 million in cash and 2,549,469 shares of Common Stock with a value of approximately $72.5 million.

Merchants & Southern Banks of Florida, Inc.

On May 22, 2015, Ameris acquired Merchants by merger, at which time Merchants' wholly owned banking subsidiary, Merchants and Southern Bank, also was merged with and into the Bank. Merchants was headquartered in Gainesville, Florida and operated thirteen banking locations in Alachua, Marion and Clay Counties in Florida. The acquisition of Merchants was significant to the Company's growth strategy, as it expanded our existing footprint in several attractive Florida markets. Ameris paid an aggregate purchase price of $50.0 million to acquire the stock of Merchants.

Acquisition of 18 Branches in North Florida and South Georgia

On June 12, 2015, Ameris completed the acquisition of 18 branches from Bank of America, National Association located in Calhoun, Columbia, Dixie, Hamilton, Suwanee and Walton Counties, Florida and Ben Hill, Colquitt, Dougherty, Laurens, Liberty, Thomas, Tift and Ware Counties, Georgia. Ameris acquired approximately $644.7 million in deposits and paid a deposit premium of $20.0 million, equal to 3.00% of the average daily deposits for the 15 calendar-day period immediately prior to the acquisition date. In addition, Ameris acquired approximately $4.0 million in loans and $10.7 million in premises and equipment.

Coastal Bankshares, Inc.

On June 30, 2014, Ameris acquired Coastal by merger, at which time Coastal's wholly owned banking subsidiary, The Coastal Bank ("Coastal Bank"), also was merged with and into the Bank. Coastal was headquartered in Savannah, Georgia and it operated six banking locations in Chatham, Liberty and Effingham Counties in Georgia. The acquisition of Coastal grew the Company's existing market presence in the Savannah, Georgia market. The consideration for the acquisition, with an aggregate purchase price of approximately $37.3 million, consisted of approximately 1,599,000 shares of Common Stock with a value of approximately $34.5 million and $2.8 million cash in exchange for outstanding warrants.

The Prosperity Banking Company

On December 23, 2013, Ameris acquired Prosperity by merger, at which time Prosperity's wholly owned banking subsidiary, Prosperity Bank ("Prosperity Bank"), also was merged with and into the Bank. Prosperity was headquartered in Saint Augustine, Florida and it operated 12 banking locations in St. Johns, Duval, Flagler, Bay, Putnam and Volusia Counties in northeast Florida and the Florida panhandle. The acquisition of Prosperity was significant to the Company, as it expanded our existing Southeastern footprint in several attractive Florida markets. The consideration for the acquisition was a combination of cash and our Common Stock, with an aggregate purchase price of approximately $24.6 million. The total consideration consisted of $162,000 in cash and approximately 1,169,000 shares of Common Stock with a value of approximately $24.5 million.

MARKET AREAS AND COMPETITION

The banking industry in general, and in the southeastern United States specifically, is highly competitive and dramatic changes continue to occur throughout the industry. While our select market areas in Georgia, Alabama, Florida and South Carolina have experienced strong population growth over the past 20 to 30 years, intense market demands, national and local economic pressures, including a low interest rate environment, and increased customer awareness of product and service differences among financial institutions have forced banks to diversify their services and become much more cost effective. Over the past few years, our Bank has faced strong competition in attracting deposits at profitable levels. Competition for deposits comes from other commercial banks, thrift institutions, savings banks, internet banks, credit unions, and brokerage and investment banking firms. Interest rates, online banking capabilities, convenience of office locations and marketing are all significant factors in our Bank's competition for deposits.

Competition for loans comes from other commercial banks, thrift institutions, savings banks, insurance companies, consumer finance companies, credit unions, mortgage companies, leasing companies and other institutional lenders. In order to remain competitive, our Bank has varied interest rates and loan fees to some degree as well as increased the number and complexity of services provided. We have not varied or altered our underwriting standards in any material respect in response to competitor willingness to do so and in some markets have not been able to experience the growth in loans that we would have preferred. Competition is affected by the general availability of lendable funds, general and local economic conditions, current interest rate levels and other factors that are not readily predictable.

Competition among providers of financial products and services continues to increase with consumers having the opportunity to select from a growing variety of traditional and nontraditional alternatives. The industry continues to consolidate, which affects competition by eliminating some regional and local institutions, while strengthening the franchise of acquirers. Management expects that competition will become more intense in the future due to changes in state and federal laws and regulations and the entry of additional bank and nonbank competitors. See “Supervision and Regulation” under this Item.

EMPLOYEES

At December 31, 2018, the Company employed approximately 1,804 full-time-equivalent employees. We consider our relationship with our employees to be good.

We have adopted the Ameris Bancorp 401(k) Profit Sharing Plan, as a retirement plan for our employees. This plan provides deferral of compensation by our employees and contributions by Ameris. We also maintain a comprehensive employee benefits program providing, among other benefits, hospitalization and major medical insurance and life insurance. Management considers these benefits to be competitive with those offered by other financial institutions in our market areas. Our employees are not represented by any collective bargaining group.

RELATED PARTY TRANSACTIONS

The Company makes loans to our directors and their affiliates and to banking officers. These loans are made on substantially the same terms as those prevailing at the time for comparable transactions and do not involve more than normal credit risk. At December 31, 2018, we had approximately $8.62 billion in total loans outstanding, of which approximately $1.5 million were outstanding to certain directors and their affiliates. Company policy prohibits loans to executive officers.

SUPERVISION AND REGULATION

General

We are extensively regulated under federal and state law. Generally, these laws and regulations are intended to protect depositors and not shareholders. Set forth below is a summary of certain provisions of certain laws that affect the regulation of bank holding companies and banks. The discussion is qualified in its entirety by reference to applicable laws and regulations. Changes in such laws and regulations may have a material effect on our business and prospects.

Federal Bank Holding Company Regulation and Structure

As a bank holding company, we are subject to regulation under the Bank Holding Company Act and to the supervision, examination and reporting requirements of the Board of Governors of the Federal Reserve System (the

"Federal Reserve"). Our Bank has a Georgia state charter and is subject to regulation, supervision and examination by the FDIC and the Georgia Department of Banking and Finance (the "GDBF").

The Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve before:

- it may acquire direct or indirect ownership or control of any voting shares of any bank if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% of the voting shares of the bank;

- it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or

- it may merge or consolidate with any other bank holding company.

The Bank Holding Company Act further provides that the Federal Reserve may not approve any transaction that would result in a monopoly or that would substantially lessen competition in the banking business, unless the public interest in meeting the needs of the communities to be served outweighs the anti-competitive effects. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks involved and the convenience and needs of the communities to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues focuses, in part, on performance under the Community Reinvestment Act, both of which are discussed elsewhere in more detail.

Subject to various exceptions, the Bank Holding Company Act and the Change in Bank Control Act, together with related regulations, require Federal Reserve approval prior to any person or company acquiring "control" of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of a bank holding company. Control is also presumed to exist, although such presumption is rebuttable, if a person or company acquires 10% or more, but less than 25%, of any class of voting securities and either:

- the bank holding company has registered securities under Section 12 of the Exchange Act; or

- no other person owns a greater percentage of that class of voting securities immediately after the transaction.

Our Common Stock is registered under Section 12 of the Exchange Act. The regulations provide a procedure for challenging rebuttable presumptions of control.

The Bank Holding Company Act generally prohibits a bank holding company from engaging in activities other than banking, managing or controlling banks or other permissible subsidiaries and acquiring or retaining direct or indirect control of any company engaged in any activities other than activities closely related to banking or managing or controlling banks. In determining whether a particular activity is permissible, the Federal Reserve considers whether performing the activity can be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. The Federal Reserve has the power to order a bank holding company or its subsidiaries to terminate any activity or control of any subsidiary when the continuation of the activity or control constitutes a serious risk to the financial safety, soundness or stability of any bank subsidiary of that bank holding company.

Under the Bank Holding Company Act, a bank holding company may file an election with the Federal Reserve to be treated as a financial holding company and engage in an expanded list of financial activities. The election must be accompanied by a certification that all of the company's insured depository institution subsidiaries are "well capitalized" and "well managed." Additionally, the Community Reinvestment Act rating of each subsidiary bank must be satisfactory or better. Effective August 24, 2000, pursuant to a previously-filed election with the Federal Reserve, Ameris became a financial holding company. As such, we may engage in activities that are financial in nature or incidental or complementary to financial activities, including insurance underwriting, securities underwriting and dealing, and making merchant banking investments in commercial and financial companies. If the Bank ceases to be "well capitalized" or "well managed" under applicable regulatory standards, the Federal Reserve may, among other things, place limitations on our ability to conduct these broader financial activities. In addition, if the Bank receives a rating of less than satisfactory under the Community Reinvestment Act, we would be prohibited from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies. If, after becoming a financial holding company and undertaking activities not permissible for a bank holding company, a company fails to continue to meet any of the prerequisites for financial holding company status, including those described above, the company must enter into an agreement with the Federal Reserve to comply with all applicable capital and management requirements. If the company does not return to compliance within 180 days, the

Federal Reserve may order the company to divest its subsidiary banks or the company may discontinue or divest investments in companies engaged in activities permissible only for a bank holding company that has elected to be treated as a financial holding company.

By statute and regulation, we are expected to act as a source of financial strength for the Bank and to commit resources to support the Bank. This support may be required at times when, without this Federal Reserve policy, we might not be inclined to provide it. In addition, any capital loans made by us to the Bank will be repaid only after its deposits and various other obligations are repaid in full.

Our Bank is also subject to numerous state and federal statutes and regulations that affect its business, activities and operations and is supervised and examined by state and federal bank regulatory agencies. The FDIC and the GDBF regularly examine the operations of our Bank and are given the authority to approve or disapprove mergers, consolidations, the establishment of branches and similar corporate actions. These agencies also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law.

Changes to our Regulation and Supervision in Crossing $10 Billion in Assets Threshold

Federal law imposes heightened requirements on banks and bank holding companies that exceed $10 billion in total consolidated assets. The Company and the Bank exceeded $10 billion in total consolidated assets upon completion of our acquisition of Hamilton in June 2018. Certain requirements, including the following, will be imposed on the Company or the Bank following the fourth consecutive quarter (and any applicable phase-in period) in which the Company or the Bank's total consolidated assets exceed that $10 billion threshold:

- The calculation of the Bank's FDIC deposit insurance assessment base will be changed and will utilize the performance score and a loss-severity score system as summarized under "FDIC Insurance Assessments."

- The Consumer Financial Protection Bureau ("CFPB") will become our supervisor with respect to consumer protection laws and regulations and will have examination authority following the fourth consecutive quarter in which the Bank's total assets exceed $10 billion.

- The Bank will become subject to the cap on debit card interchange fees imposed by the so-called Durbin Amendment beginning on July 1 of the calendar year following the end of the first year in which the Bank's total consolidated assets pass the $10 billion threshold.

Under the Durbin Amendment and the Federal Reserve's implementing regulations, bank issuers who are not exempt may only receive an interchange fee from merchants that is reasonable and proportional to the cost of clearing the transaction. The maximum permissible interchange fee is equal to no more than $0.21 plus five basis points of the transaction value for many types of debit interchange transactions. A debit card issuer may also recover $0.01 per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements required by the Federal Reserve. The Federal Reserve also has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires publicly traded bank holding companies with assets of $10 billion or more to perform capital stress testing and establish a risk committee responsible for enterprise-wide risk management practices, comprised of independent directors, including one risk management expert. These provisions become applicable if the average of the total consolidated assets of the bank holding company, as reported in its quarterly Consolidated Financial Statements for Bank Holding Companies, for the four most recent consecutive quarters exceeds $10 billion. The "Dodd-Frank Act Stress Test," or "DFAST," is designed to determine whether the capital planning and risk management practices of a bank holding company adequately protect it and its affiliates in the event of an economic downturn.

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA") was signed into law. Among other things, the EGRRCPA amended the Dodd-Frank Act to exempt bank holding companies with less than $100 billion in total consolidated assets from DFAST. While EGRRCPA does not statutorily exempt banks with less than $100 billion in total assets from DFAST until November 25, 2019, the federal banking agencies issued a joint statement on July 6, 2018 extending the deadline for compliance with DFAST by banks with less than $100 billion in assets until the statutory exemption takes effect on November 25, 2019. Therefore, the Company and the Bank are not expected to be subject to DFAST requirements at this time.

Payment of Dividends and Other Restrictions

Ameris is a legal entity separate and distinct from its subsidiaries. While there are various legal and regulatory limitations under federal and state law on the extent to which our Bank can pay dividends or otherwise supply funds to Ameris, the principal source of our cash revenues is dividends from our Bank. The prior approval of applicable regulatory authorities is required if the total amount of all dividends declared by the Bank in any calendar year exceeds 50% of the Bank's net profits for the previous year. The relevant federal and state regulatory agencies also have authority to prohibit a state member bank or bank holding company, which would include Ameris and the Bank, from engaging in what, in the opinion of such regulatory body, constitutes an unsafe or unsound practice in conducting its business. The payment of dividends could, depending upon the financial condition of the subsidiary, be deemed to constitute an unsafe or unsound practice in conducting its business.

Under Georgia law, the prior approval of the GDBF is required before any cash dividends may be paid by a state bank if: (i) total classified assets at the most recent examination of such bank exceed 80% of the equity capital (as defined, which includes the reserve for loan losses) of such bank; (ii) the aggregate amount of dividends declared or anticipated to be declared in the calendar year exceeds 50% of the net profits (as defined) for the previous calendar year; or (iii) the ratio of equity capital to adjusted total assets is less than 6%. As of December 31, 2018, there was approximately $67.2 million of retained earnings of our Bank available for payment of cash dividends under applicable regulations without obtaining regulatory approval.

In addition, our Bank is subject to limitations under Section 23A of the Federal Reserve Act with respect to extensions of credit to, investments in and certain other transactions with Ameris. Furthermore, loans and extensions of credit are also subject to various collateral requirements.

The Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve’s view that a bank holding company should pay cash dividends only to the extent that the holding company’s net income for the past year is sufficient to cover both the cash dividends and a rate of earning retention that is consistent with the holding company’s capital needs, asset quality and overall financial condition. The Federal Reserve also indicated that it would be inappropriate for a holding company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, under the prompt corrective action regulations adopted by the Federal Reserve, the Federal Reserve may prohibit a bank holding company from paying any dividends if one or more of the holding company’s bank subsidiaries is classified as undercapitalized.

A bank holding company is required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of its consolidated net worth. The Federal Reserve may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order or condition imposed by, or written agreement with, the Federal Reserve.

Capital Adequacy

We must comply with the Federal Reserve’s established capital adequacy standards, and our Bank is required to comply with the capital adequacy standards established by the FDIC. The Federal Reserve has promulgated two basic measures of capital adequacy for bank holding companies: a risk-based measure and a leverage measure. A bank holding company must satisfy all applicable capital standards to be considered in compliance.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, account for off-balance-sheet exposure and minimize disincentives for holding liquid assets.

Assets and off-balance-sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items.

The regulatory capital framework under which we operate has changed, and is expected to continue to change, in significant respects as a result of the Dodd-Frank Act which includes certain provisions concerning the capital regulations of U.S. banking regulators. These provisions are intended to subject bank holding companies to the same capital requirements as their bank subsidiaries and to eliminate or significantly reduce the use of hybrid capital instruments, especially trust preferred securities, as regulatory capital. Although a significant number of the rules and regulations mandated by the Dodd-Frank Act have been finalized, many of the new requirements called for have yet to be implemented and will likely be subject to implementing regulations over the course of several years. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies, the full extent of the impact such requirements will have on financial institutions’ operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage ratio requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements.

In July 2013, the federal banking agencies approved an interim final rule that adopts a series of previously proposed rules to conform U.S. regulatory capital rules with the international regulatory standards agreed to by the Basel Committee on Banking Supervision in the accord referred to as "Basel III" and to implement requirements of the Dodd-Frank Act. The adopted regulations established new higher capital ratio requirements, narrowed the definitions of capital, imposed new operating restrictions on banking organizations with insufficient capital buffers and increased the risk weighting of certain assets. The regulatory changes found in the new final rule include the following:

The final rule established a new capital measure called "Common Equity Tier 1 Capital" consisting of common stock and related surplus, retained earnings, accumulated other comprehensive income and, subject to certain adjustments, minority common equity interests in subsidiaries. Unlike prior rules which excluded unrealized gains and losses on available for sale debt securities from regulatory capital, the final rule generally requires accumulated other comprehensive income to flow through to regulatory capital; however, pursuant to a one-time, permanent election made available to most FDIC-supervised institutions, the Bank elected to opt out of the requirement to include most components of accumulated other comprehensive income in its regulatory capital. Depository institutions and their holding companies are now required to maintain Common Equity Tier 1 Capital equal to 4.5% of risk-weighted assets. Additionally, the regulations increased the required ratio of Tier 1 Capital to risk-weighted assets from 4% to 6%. Tier 1 Capital consists of Common Equity Tier 1 Capital plus Additional Tier 1 Capital which includes non-cumulative perpetual preferred stock. Neither cumulative preferred stock (other than certain preferred stock issued to the U.S. Treasury) nor trust preferred securities qualify as Additional Tier 1 Capital, but they may be included in Tier 2 Capital along with qualifying subordinated debt. The new regulations also require a minimum Tier 1 leverage ratio of 4% for all institutions, while the minimum required ratio of total capital to risk-weighted assets remains at 8%.

In addition to increased capital requirements, depository institutions and their holding companies will be required to maintain a capital conservation buffer of at least 2.5% of risk-weighted assets over and above the minimum risk-based capital requirements in order to avoid limitations on the payment of dividends, the repurchase of shares or the payment of discretionary bonuses. The capital conservation buffer requirement is being phased in, beginning January 1, 2016, requiring during 2016 a buffer amount greater than 0.625% in order to avoid these limitations, and increasing in amount each year (1.875% for 2018) until, beginning January 1, 2019, the buffer amount must be greater than 2.5% in order to avoid the limitations.

The prompt corrective action regulations, under the final rule, incorporate a Common Equity Tier 1 Capital requirement and raise the capital requirements for certain capital categories. In order to be adequately capitalized for purposes of the prompt corrective action regulations, a banking organization is required to have at least an 8% Total Risk-Based Capital Ratio, a 6% Tier 1 Risk-Based Capital Ratio, a 4.5% Common Equity Tier 1 Risk Based Capital Ratio and a 4% Tier 1 Leverage Ratio. As of December 31, 2018, the minimum risk-based capital requirements including the 1.875% capital conservation buffer are as follows: 9.875% Total Risk-Based Capital Ratio, 7.875% Tier 1 Risk-Based Capital Ratio, and 6.375% Common Equity Tier 1 Risk Based Capital Ratio. To be well capitalized, a banking organization is required to have at least a 10% Total Risk-Based Capital Ratio, an 8% Tier 1 Risk-Based Capital Ratio, a 6.5% Common Equity Tier 1 Risk-Based Capital Ratio and a 5% Tier 1 Leverage Ratio.

Since 2001, our consolidated capital ratios have increased due to the issuance of trust preferred securities. At December 31, 2018, all of our trust preferred securities were included in Tier 1 Capital. At December 31, 2018, our total risk-based capital ratio, our Tier 1 risk-based capital ratio and our common equity Tier 1 capital ratio were 12.23%, 11.07% and 10.07%, respectively. Neither Ameris nor the Bank has been advised by any federal banking agency of any additional specific minimum capital ratio requirement applicable to it.

At December 31, 2018, our leverage ratio was 9.17%, compared with 9.71% at December 31, 2017. Federal Reserve guidelines provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. The Federal Reserve has indicated that it will consider a "tangible Tier 1 Capital leverage ratio" and other indications of capital strength in evaluating proposals for expansion or new activities. The Federal Reserve has not advised Ameris of any additional specific minimum leverage ratio or tangible Tier 1 Capital leverage ratio applicable to it.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on taking brokered deposits and certain other restrictions on its business. As described below, the FDIC can impose substantial additional restrictions upon FDIC-insured depository institutions that fail to meet applicable capital requirements.

The Federal Deposit Insurance Act (or “FDI Act”) requires the federal regulatory agencies to take “prompt corrective action” if a depository institution does not meet minimum capital requirements. The FDI Act establishes five capital tiers: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.” A depository institution’s capital tier will depend upon how its capital levels compare to various relevant capital measures and certain other factors, as established by regulation.

The federal bank regulatory agencies have adopted regulations establishing relevant capital measurers and relevant capital levels applicable to FDIC-insured banks. The relevant capital measures are the Total Capital ratio, Tier 1 Capital ratio, Common Equity Tier 1 Capital ratio and leverage ratio. Under the regulations, an FDIC-insured bank will be:

- "well capitalized" if it has a Total Capital ratio of 10% or greater, a Tier 1 Capital ratio of 8% or greater, a Common Equity Tier 1 Capital ratio of 6.5% or greater and a leverage ratio of 5% or greater and is not subject to any order or written directive by the appropriate regulatory authority to meet and maintain a specific capital level for any capital measure;

- "adequately capitalized" if it has a Total Capital ratio of 8% or greater, a Tier 1 Capital ratio of 6% or greater, a Common Equity Tier 1 Capital ratio of 4.5% or greater and a leverage ratio of 4% or greater (3% in certain circumstances) and is not "well capitalized;"

- "undercapitalized" if it has a Total Capital ratio of less than 8%, a Tier 1 Capital ratio of less than 6%, a Common Equity Tier 1 Capital ratio of less than 4.5% or a leverage ratio of less than 4%;

- "significantly undercapitalized" if it has a Total Capital ratio of less than 6%, a Tier 1 Capital ratio of less than 4%, a Common Equity Tier 1 Capital ratio of less than 3% or a leverage ratio of less than 3%; and

- "critically undercapitalized" if its tangible equity is equal to or less than 2% of average quarterly tangible assets.

An institution may be downgraded to, or deemed to be in, a capital category that is lower than is indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. As of December 31, 2018, our Bank had capital levels that qualify as "well capitalized" under such regulations.

The FDI Act generally prohibits an FDIC-insured bank from making a capital distribution (including payment of a dividend) or paying any management fee to its holding company if the bank would thereafter be "undercapitalized." "Undercapitalized" banks are subject to growth limitations and are required to submit a capital restoration plan. The federal regulators may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the bank's capital. In addition, for a capital restoration plan to be acceptable, the bank's parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company is limited to the lesser of: (i) an amount equal to 5% of the bank's total assets at the time it became "undercapitalized"; and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a bank fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized."

"Significantly undercapitalized" insured banks may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized," requirements to reduce total assets and the cessation of receipt of deposits from correspondent banks. "Critically undercapitalized" institutions are subject to the appointment of a receiver or conservator. A bank that is not "well capitalized" is also subject to certain limitations relating to brokered deposits.

FDIC Insurance Assessments

The Bank's deposits are insured to the maximum extent permitted by the Deposit Insurance Fund (the "DIF"). As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, insured institutions. It also may prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious threat to the FDIC.

Pursuant to the Dodd-Frank Act, the FDI Act was amended to increase the maximum deposit insurance amount per depositor per depository institution from $100,000 to $250,000.

The FDIC manages the DIF in part through the DIF's reserve ratio and sets assessment rates to achieve a "designated reserve ratio" (the "DRR"), the ratio at which the FDIC believes the DIF can withstand a future banking crisis. The FDIC has set the DRR at 2.0% as a long-range minimum target. The Dodd-Frank Act requires the reserve ratio of the DIF to reach 1.35% by September 30, 2020. As of September 30, 2018, the reserve ratio for the DIF was 1.36%. The FDIC has adopted a risk-based premium system that provides for quarterly assessments. In addition, all institutions with deposits insured by the FDIC are required to pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established to recapitalize the predecessor to the DIF. These assessments will continue until the Financing Corporation bonds mature in 2019.

Through June 30, 2016, the Bank’s assessment rate was based on a methodology adopted by the FDIC for the quarter beginning April 1, 2011. This methodology was in response to a provision in the Dodd-Frank Act that changed the calculation of the assessment base and that entailed changes to the risk-based pricing system. Under the methodology adopted for 2011, the assessment base became an insured depository institution’s average consolidated total assets less average tangible equity. The overall range of initial base assessment rates was five basis points to 45 basis points. Institutions (including, at that time, the Bank) that were not large and highly complex institutions were placed in one of four risk categories depending on the institution’s capital level (using the same thresholds as in the prompt corrective action regime) and supervisory evaluations by the institution’s primary federal regulator. The risk category with the highest-rated and well-capitalized institutions included a range of assessment rates, and a specific rate was assigned to a particular institution based on a variety of financial factors and the institution’s component CAMELS ratings. Each of the remaining three risk categories imposed the same rate on all institutions in the category.

In April 2016, the FDIC adopted new assessment rates and a new methodology for the assignment of rates that would become effective when the reserve ratio of the DIF rose above 1.15%. This event occurred when the FDIC announced that as of June 30, 2016, the reserve ratio was 1.17%. The range of initial base assessment rates shifted down to three basis points to 30 basis points (subject to certain adjustments for unsecured debt and brokered deposits). Insured depository institutions other than large and highly complex institutions were assigned to one of three (rather than four) risk categories based solely on composite CAMELS rating. Each of the three risk categories has a range of rates, and the rate for a particular institution is determined based on seven financial ratios and the weighted average of its component CAMELS ratings. Under the new assessment rule, further downward adjustments of assessment rates are possible as the DRR exceeds 2.0% and higher levels.

The Bank’s adjusted average consolidated total assets are expected to exceed $10 billion for four consecutive quarters with the first quarter of 2019. As a result, the Bank’s deposit insurance assessment will thereafter be based on a large institution classification, rather than the small institution classification for prior years. For large insured depository institutions, generally defined as those with at least $10 billion in total assets, the FDIC has eliminated risk categories when calculating the initial base assessment rates and now combines CAMELS ratings and financial measures into two scorecards to calculate assessment rates, one for most large insured depository institutions and another for highly complex insured depository institutions (which are generally those with more than $50 billion in total assets that are controlled by a parent company with more than $500 billion in total assets). Each scorecard has two components - a performance score and loss severity score, which are combined and converted to an initial assessment rate. The FDIC has the ability to adjust a large or highly complex insured depository institution’s total score by a maximum of 15 points, up or down, based upon significant risk factors that are not captured by the scorecard. Under the current assessment rate schedule, the initial base assessment rate for large and highly complex insured depository institutions ranges from three to 30 basis points, and the total base assessment rate, after applying the unsecured debt and brokered deposit adjustments, ranges from one and one-half to 40 basis points.

Future changes in insurance premiums could have an adverse effect on the operating expenses and results of operations, and we cannot predict what insurance assessment rates will be in the future.

The FDIC may terminate the deposit insurance of any insured depository institution, including the Bank, if the FDIC determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. The FDIC also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. Management is not aware of any existing circumstances that would result in termination of our deposit insurance.

Acquisitions

As an active acquirer, we must comply with numerous laws related to our acquisition activity. Under the Bank Holding Company Act, a bank holding company may not directly or indirectly acquire ownership or control of more than 5% of the voting shares or substantially all of the assets of any bank or merge or consolidate with another bank holding company without the prior approval of the Federal Reserve. Current federal law authorizes interstate acquisitions of banks and bank holding companies without geographic limitation. Furthermore, a bank headquartered in one state is authorized to merge with a bank headquartered in another state, as long as neither of the states has opted out of such interstate merger authority prior to such date, and subject to any state requirement that the target bank shall have been in existence and operating for a minimum period of time, not to exceed five years, and to certain deposit market-share limitations. After a bank has established branches in a state through an interstate merger transaction, the bank may establish and acquire additional branches at any location in the state where a bank headquartered in that state could have established or acquired branches under applicable federal or state law.

Community Reinvestment Act

The Community Reinvestment Act requires federal bank regulatory agencies to encourage financial institutions to meet the credit needs of low and moderate-income borrowers in their local communities. An institution's size and business strategy determines the type of examination that it will receive. Large, retail-oriented institutions are examined using a performance-based lending, investment and service test. Small institutions are examined using a streamlined approach. All institutions may opt to be evaluated under a strategic plan formulated with community input and pre-approved by the bank regulatory agency.

The Community Reinvestment Act regulations provide for certain disclosure obligations. Each institution must post a notice advising the public of its right to comment to the institution and its regulator on the institution's Community Reinvestment Act performance and to review the institution's Community Reinvestment Act public file. Each lending institution must maintain for public inspection a file that includes a listing of branch locations and services, a summary of lending activity, a map of its communities and any written comments from the public on its performance in meeting community credit needs. The Community Reinvestment Act requires public disclosure of a financial institution's written Community Reinvestment Act evaluations. This promotes enforcement of Community Reinvestment Act requirements by providing the public with the status of a particular institution's community reinvestment record.

Consumer Protection Laws

The Bank is subject to a number of federal and state laws designed to protect customers and promote lending to various sectors of the economy and population. These consumer protection laws apply to a broad range of our activities and to various aspects of our business and include laws relating to interest rates, fair lending, disclosures of credit terms and estimated transaction costs to consumer borrowers, debt collection practices, the use of and the provision of information to consumer reporting agencies, and the prohibition of unfair, deceptive or abusive acts or practices in connection with the offer, sale or provision of consumer financial products and services. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act and state law counterparts.

In addition, the Dodd-Frank Act created the CFPB, which has been given the power to promulgate and enforce federal consumer protection laws. Depository institutions are subject to the CFPB's rulemaking authority, while existing federal bank regulatory agencies retain examination and enforcement authority for such institutions. The focus of the CFPB is on the following: (i) risks to consumers and compliance with the federal consumer financial laws; (ii) the markets in which firms operate and risks to consumers posed by activities in those markets; (iii) depository institutions that offer a wide variety of consumer financial products and services; (iv) depository institutions with a more specialized focus; and (v) non-depository companies that offer one or more consumer financial products or services. The CFPB has exclusive supervisory authority over insured depository institutions with more than $10 billion in total assets and any affiliates thereof with respect to certain consumer protection laws and regulations. The CFPB will become our exclusive supervisor in these areas following the fourth consecutive quarter in which the Bank's total assets exceed $10 billion.

The CFPB has promulgated many mortgage-related final rules, including rules related to the ability to repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, Home Mortgage Disclosure Act requirements and appraisal and escrow standards for higher priced mortgages. The mortgage-related final rules issued by the CFPB have materially restructured the origination, servicing and securitization of residential mortgages in the United States. For example, under the CFPB's Ability to Repay and Qualified Mortgage rule, before making a mortgage loan, a lender must establish that a borrower has the ability to repay the mortgage. “Qualified mortgages,” as defined in the rule, are presumed to comply with this requirement and, as a result, present less litigation risk to lenders. For a loan to qualify as a qualified mortgage, the loan must satisfy certain limits on terms and conditions, pricing and a maximum debt-to-income ratio. Loans eligible for purchase, guarantee or insurance by a government agency or government-sponsored enterprise are exempt from some of these requirements. Satisfying the qualified mortgage standards, ensuring correct calculations are made for individual loans and recordkeeping and monitoring impose significant new compliance obligations on, and involve compliance costs for, mortgage lenders, including the Company.

Financial Privacy

Federal law currently contains extensive customer privacy protection provisions. Under these provisions, a financial institution must provide to its customers, at the inception of the customer relationship and annually thereafter, the institution’s policies and procedures regarding the handling of customers’ nonpublic personal financial information. These provisions also provide that, except for certain limited exceptions, an institution may not provide such personal information to unaffiliated third parties unless the institution discloses to the customer that such information may be so provided and the customer is given the opportunity to opt out of such disclosure. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

The federal banking agencies pay close attention to the cybersecurity practices of banks, bank holding companies and their affiliates. The interagency council of the agencies, the Federal Financial Institutions Examination Council (the “FFIEC”), has issued several policy statements and other guidance for banks as new cybersecurity threats arise. The FFIEC has recently focused on such matters as compromised customer credentials and business continuity planning. Examinations by the banking agencies now include review of an institution’s information technology and its ability to thwart cyberattacks.

Anti-Money Laundering

The Bank Secrecy Act, the USA PATRIOT Act of 2001 and other laws and regulations require financial institutions, among other things, to institute and maintain an effective anti-money laundering (“AML”) program and to file suspicious activity and currency transaction reports when appropriate. Under these laws and regulations, the Bank is required to take steps to prevent the use of the Bank to facilitate the flow of illegal or illicit money, to report large currency transactions and to file suspicious activity reports. In addition, the Bank is required to develop and implement a comprehensive AML compliance program, as well as have in place appropriate “know your customer” policies and procedures.

Violations of these requirements can result in substantial civil and criminal sanctions. Also, the federal banking agencies are required to consider the effectiveness of a financial institution’s AML activities when reviewing proposed bank mergers and bank holding company acquisitions. The federal Financial Crimes Enforcement Network of the Department of the Treasury, in addition to other bank regulatory agencies, is authorized to impose significant civil money penalties for violations of these requirements and has recently engaged in coordinated enforcement efforts with state and federal banking regulators, in addition to the U.S. Department of Justice, the CFPB, the Drug Enforcement Administration and the Internal Revenue Service.

OFAC Regulation

The Office of Foreign Assets Control, or “OFAC,” is responsible for administering economic sanctions that affect transactions with designated foreign countries, nationals and others, as defined by various Executive Orders and in various legislation. OFAC publishes lists of persons, organizations and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. If we or the Bank find a name on any transaction, account or wire transfer that is on an OFAC list, we or the Bank must freeze or block such account or transaction, file a suspicious activity report and notify the appropriate authorities. Failure to comply with these sanctions could have serious legal and reputational consequences.

Fiscal and Monetary Policy

Banking is a business which depends on interest rate differentials for success. In general, the difference between the interest paid by a bank on its deposits and its other borrowings, and the interest received by a bank on its loans and securities holdings, constitutes the major portion of a bank’s earnings. Thus, our earnings and growth will be subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States government and its agencies, particularly the Federal Reserve. The Federal Reserve regulates the supply of money through various means, including open market dealings in United States government securities, the discount rate at which banks may borrow from the Federal Reserve and the reserve requirements on deposits. The nature and timing of any changes in such policies and their effect on Ameris cannot be known at this time.

Current and future legislation and the policies established by federal and state regulatory authorities will affect our future operations. Banking legislation and regulations may limit our growth and the return to our investors by restricting certain of our activities.

In addition, capital requirements could be changed and have the effect of restricting our activities or requiring additional capital to be maintained. We cannot predict with certainty what changes, if any, will be made to existing federal and state legislation and regulations or the effect that such changes may have on our business.

Federal Home Loan Bank System

Our Company has a correspondent relationship with the FHLB of Atlanta, which is one of 12 regional FHLBs that administer the home financing credit function of savings companies. Each FHLB serves as a reserve or central bank for its members within its assigned region. FHLBs are funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB system and make loans to members (i.e., advances) in accordance with policies and procedures, established by the Board of Directors of the FHLB which are subject to the oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances are required to provide funds for residential home financing.

The FHLB offers certain services to our Company such as processing checks and other items, buying and selling federal funds, handling money transfers and exchanges, shipping coin and currency, providing security and safekeeping of funds or other valuable items and furnishing limited management information and advice. As compensation for these services, our Company maintains certain balances with the FHLB in interest-bearing accounts.

Under federal law, the FHLBs are required to provide funds for the resolution of troubled savings companies and to contribute to low and moderately-priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low and moderate-income housing projects.

Real Estate Lending Evaluations

The federal regulators have adopted uniform standards for evaluations of loans secured by real estate or made to finance improvements to real estate. Banks are required to establish and maintain written internal real estate lending policies consistent with safe and sound banking practices and appropriate to the size of the institution and the nature and scope of its operations. The regulations establish loan-to-value ratio limitations on real estate loans. Our Company’s loan policies establish limits on loan-to-value ratios that are equal to or less than those established in such regulations.

Commercial Real Estate Concentrations

Our lending operations may be subject to enhanced scrutiny by federal banking regulators based on our concentration of commercial real estate loans. The federal banking regulators previously issued guidance reminding financial institutions of the risk posed by commercial real estate (“CRE”) lending concentrations. CRE loans generally include land development, construction loans, and loans secured by multifamily property, and nonfarm, nonresidential real property where the primary source of repayment is derived from rental income associated with the property. The guidance prescribes the following guidelines for its examiners to help identify institutions that are potentially exposed to significant CRE risk and may warrant greater supervisory scrutiny:

- total reported loans for construction, land development and other land (“C&D”) represent 100% or more of the institution’s total capital; or

- total CRE loans represent 300% or more of the institution’s total capital, and the outstanding balance of the institution’s CRE loan portfolio has increased by 50% or more.

As of December 31, 2018, excluding purchased non-covered and covered assets, our C&D concentration as a percentage of capital totaled 58.0% and our CRE concentration, net of owner-occupied loans, as a percentage of capital totaled 154.6%. Including purchased non-covered and covered loans subject to loss-sharing agreements with the FDIC, the Company’s C&D concentration as a percentage of capital totaled 77.7% and our CRE concentration, net of owner-occupied loans, as a percentage of capital totaled 248.1%.

Limitations on Incentive Compensation

The Dodd-Frank Act requires the federal banking regulators and other agencies, including the SEC, to issue regulations or guidelines requiring disclosure to the regulators of incentive-based compensation arrangements and to prohibit incentive-based compensation arrangements for directors, officers or employees that encourage inappropriate risks by providing excessive compensation, fees or benefits or that could lead to material financial loss to a financial institution. The federal bank regulatory agencies have issued guidance on incentive compensation policies, which covers all employees who have the ability to materially affect the risk profile of an institution, either individually or as part of a group, that is based upon the key principles that a financial institution's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the institution's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management and (iii) be supported by strong corporate governance, including active and effective oversight by the institution's board of directors and appropriate policies, procedures and monitoring.

As part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations will be reviewed, and the regulator's findings will be incorporated into the organization's supervisory ratings, which can affect the organization’s ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization’s safety and soundness and the organization is not taking prompt and effective measures to correct any deficiencies.

In April 2016, the FDIC, the other federal banking agencies and other financial regulatory agencies proposed guidance on incentive-based compensation arrangements. As applied to banks with total assets between $1 billion and $50 billion, the proposal would (i) prohibit types and features of incentive-based compensation arrangements that encourage inappropriate risks because they are excessive or could lead to material financial loss, (ii) require such arrangements to strike a balance between risk and reward, to be subject to effective risk management and controls, and to be subject to effective governance and (iii) require appropriate board of directors (or committee) oversight and recordkeeping and disclosure to the appropriate agency. The comment period for these proposed rules has closed, but the federal agencies have not finalized the proposal, and we do not know whether or when they may do so.

The scope and content of federal bank regulatory agencies’ policies on executive compensation are continuing to develop and are likely to continue evolving in the near future. It cannot be determined at this time whether compliance with such policies will adversely affect the Company’s ability to hire, retain and motivate its key employees.

Evolving Legislation and Regulatory Action

The Dodd-Frank Act implements many new changes in the way financial and banking operations are regulated in the United States. Many aspects of the Dodd-Frank Act are subject to further rulemaking and will take effect over several years, with the result that the overall financial impact on the Company and the Bank cannot be anticipated at this time. The current administration has also suggested an agenda for financial regulatory change, and it is too early to assess whether there will be major changes in the regulatory environment or only a rebalancing of the post-financial crisis framework.

In addition, from time to time, various other legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies, that may impact the Company or the Bank. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of Ameris in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Company. A change in statutes, regulations or regulatory policies applicable to the Company or the Bank could have a material effect on the business of the Company.

ITEM 1A. RISK FACTORS

An investment in our Common Stock is subject to risks inherent in our business. The material risks and uncertainties that management believes affect Ameris are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference in this Annual Report. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Company’s business operations. This Annual Report is qualified in its entirety by these risk factors.

If any of the following risks or uncertainties actually occurs, the Company’s financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of the Common Stock could decline significantly, and you could lose all or part of your investment.

RISKS RELATED TO OUR COMPANY AND INDUSTRY

Our revenues are highly correlated to market interest rates.

Our assets and liabilities are primarily monetary in nature, and as a result, we are subject to significant risks tied to changes in interest rates. Our ability to operate profitably is largely dependent upon net interest income. In 2018, net interest income made up 74.4% of our recurring revenue. Unexpected movement in interest rates, that may or may not change the slope of the current yield curve, could cause our net interest margins to decrease, subsequently decreasing net interest income. In addition, such changes could materially adversely affect the valuation of our assets and liabilities.

At present our one-year interest rate sensitivity position is mildly asset sensitive, such that a gradual increase in interest rates during the next twelve months should have a slightly positive impact on net interest income during that period. However, as with most financial institutions, our results of operations are affected by changes in interest rates and our ability to manage this risk. The difference between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities may be affected by changes in market interest rates, changes in relationships between interest rate indices, and changes in the relationships between long-term and short-term market interest rates. In addition, the mix of assets and liabilities could change as varying levels of market interest rates might present our customer base with more attractive options.

Certain changes in interest rates, inflation, deflation or the financial markets could affect demand for our products and our ability to deliver products efficiently.

Loan originations, and potentially loan revenues, could be materially adversely impacted by sharply rising interest rates. Conversely, sharply falling rates could increase prepayments within our securities portfolio lowering interest earnings from those investments. An unanticipated increase in inflation could cause our operating costs related to salaries and benefits, technology and supplies to increase at a faster pace than revenues.

The fair market value of our securities portfolio and the investment income from these securities also fluctuate depending on general economic and market conditions. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations.

Our concentration of real estate loans subjects the Company to risks that could materially adversely affect our results of operations and financial condition.

The majority of our loan portfolio is secured by real estate. As the economy deteriorated and depressed real estate values in recent years, the collateral value of the portfolio and the revenue stream from those loans came under stress and required additional provision to the allowance for loan losses. Our ability to dispose of foreclosed real estate and resolve credit quality issues is dependent on real estate activity and real estate prices, both of which have been unpredictable for several years.

Greater loan losses than expected may materially adversely affect our earnings.

We, as lenders, are exposed to the risk that our customers will be unable to repay their loans in accordance with their terms and that any collateral securing the payment of their loans may not be sufficient to assure repayment. Credit losses are inherent in the business of making loans and could have a material adverse effect on our operating results. Our credit risk with respect to our real estate and construction loan portfolio will relate principally to the creditworthiness of business entities and the value of the real estate serving as security for the repayment of loans. Our credit risk with respect to our commercial loan portfolio will relate principally to the general creditworthiness of businesses within our local markets. Our credit risk with respect to our consumer loan portfolio will relate principally to the general creditworthiness of individuals.

We make various assumptions and judgments about the collectability of our loan portfolio and provide an allowance for estimated loan losses based on a number of factors. We believe that our current allowance for loan losses is adequate. However, if our assumptions or judgments prove to be incorrect, the allowance for loan losses may not be sufficient to cover actual loan losses. We may have to increase our allowance in the future in response to the request of one of our primary banking regulators, to adjust for changing conditions and assumptions, or as a result of any deterioration in the quality of our loan portfolio. The actual amount of future provisions for loan losses cannot be determined at this time and may vary from the amounts of past provisions.

Our business is highly correlated to local economic conditions in a geographically concentrated part of the United States.

Unlike larger organizations that are more geographically diversified, our banking offices are primarily concentrated in select markets in Georgia, Alabama, Florida and South Carolina. As a result of this geographic concentration, our financial results depend largely upon economic conditions in these market areas. Deterioration in economic conditions in the markets we serve could result in one or more of the following:

- an increase in loan delinquencies;
- an increase in problem assets and foreclosures;
- a decrease in the demand for our products and services; and
- a decrease in the value of collateral for loans, especially real estate, in turn reducing customers’ borrowing power, the value of assets associated with problem loans and collateral coverage.

We face additional risks due to our increased mortgage banking activities that could negatively impact net income and profitability.

We sell the majority of the mortgage loans that we originate. The sale of these loans generates noninterest income and can be a source of liquidity for the Bank. Disruption in the secondary market for residential mortgage loans as well as declines in real estate values could result in one or more of the following:

- our inability to sell mortgage loans on the secondary market, which could negatively impact our liquidity position;
- declines in real estate values could decrease the potential of mortgage originations, which could negatively impact our earnings;
- if it is determined that loans were made in breach of our representations and warranties to the secondary market, we could incur losses associated with the loans;
- increased compliance requirements could result in higher compliance costs, higher foreclosure proceedings or lower loan origination volume, all which could negatively impact future earnings; and
- a rise in interest rates could cause a decline in mortgage originations, which could negatively impact our earnings.

Legislation and regulatory proposals enacted in response to market and economic conditions may materially adversely affect our business and results of operations.

The banking industry is heavily regulated. We are subject to examinations, supervision and comprehensive regulation by various federal and state agencies. Our compliance with these regulations is costly and restricts certain of our activities. Banking regulations are primarily intended to protect the federal deposit insurance fund and depositors, not shareholders. The burden imposed by federal and state regulations puts banks at a competitive disadvantage compared to less regulated competitors such as finance companies, mortgage banking companies and leasing companies. Changes in the laws, regulations and regulatory practices affecting the banking industry may increase our costs of doing business or otherwise adversely affect us and create competitive advantages for others. Federal economic and monetary policies may also affect our ability to attract deposits and other funding sources, make loans and investments and achieve satisfactory interest spreads.

The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial-services industry, including new or revised regulation of such things as systemic risk, capital adequacy, deposit insurance assessments and consumer financial protection. In addition, the federal banking regulators have issued joint guidance on incentive compensation and the Treasury and the federal banking regulators have issued statements calling for higher capital and liquidity requirements for banking organizations. Complying with these and other new legislative or regulatory requirements, and any programs established thereunder, could have a material adverse impact on our results of operations, our financial condition and our ability to fill positions with the most qualified candidates available.

Our growth and financial performance may be negatively impacted if we are unable to successfully execute our growth plans, including successful completion of the Fidelity merger.

Economic conditions and other factors, such as our ability to identify appropriate markets for expansion, our ability to recruit and retain qualified personnel, our ability to fund earning asset growth at a reasonable and profitable level, sufficient capital to support our growth initiatives, competitive factors and banking laws, will impact our success.

We may seek to supplement our internal growth through acquisitions. This may include other acquisition transactions in addition to the Fidelity merger that is currently pending. We cannot predict with certainty the number, size or timing of acquisitions, or whether any such acquisitions, including the Fidelity merger, will occur at all. Our acquisition efforts have traditionally focused on targeted banking entities in markets in which we currently operate and markets in which we believe we can compete effectively. However, as consolidation of the financial services industry continues, the competition for suitable acquisition candidates may increase. We may compete with other financial services companies for acquisition opportunities, and many of these competitors have greater financial resources than we do and may be able to pay more for an acquisition than we are able or willing to pay. We also may need additional debt or equity financing in the future to fund acquisitions. We may not be able to obtain additional financing or, if available, it may not be in amounts and on terms acceptable to us. If we are unable to locate suitable acquisition candidates willing to sell on terms acceptable to us, or we are otherwise unable to obtain additional debt or equity financing necessary for us to continue making acquisitions, we would be required to find other methods to grow our business and we may not grow at the same rate we have in the past, or at all.

Generally, we must receive federal regulatory approval before we can acquire a bank or bank holding company. In determining whether to approve a proposed bank acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on the competition, financial condition and future prospects. The regulators also review current and projected capital ratios and levels, the competence, experience and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served (including the acquiring institution's record of compliance under the Community Reinvestment Act) and the effectiveness of the acquiring institution in combating money laundering activities. We cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We may also be required to sell banks or branches as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefits of any acquisition.

In the past, we have utilized de novo branching in new and existing markets as a way to supplement our growth. De novo branching and any acquisition carry with it numerous risks, including the following:

- the inability to obtain all required regulatory approvals;
- significant costs and anticipated operating losses associated with establishing a de novo branch or a new bank;
- the inability to secure the services of qualified senior management;
- the local market may not accept the services of a new bank owned and managed by a bank holding company headquartered outside of the market area of the new bank;
- economic downturns in the new market;
- the inability to obtain attractive locations within a new market at a reasonable cost; and
- the additional strain on management resources and internal systems and controls.

We have experienced to some extent many of these risks with our de novo branching to date.

We rely on dividends from the Bank for most of our revenue.

Ameris is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from the Bank. These dividends are the principal source of funds to pay dividends on the Common Stock and interest and principal on the Company's debt. Various federal and state laws and regulations limit the amount of dividends that the Bank may pay to the Company. Also, the Company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event the Bank is unable to pay dividends to the Company, the Company may not be able to service debt, pay obligations or pay dividends on the Common Stock and its business, financial condition and results of operations may be materially adversely affected. Consequently, cash-based activities, including further investments in the Bank or in support of the Bank, could require borrowings or additional issuances of common or preferred stock.

We are subject to regulation by various federal and state entities.

We are subject to the regulations of the SEC, the Federal Reserve, the FDIC, the GDBF, the CFPB and other governmental agencies and regulatory bodies. New regulations issued by these agencies may adversely affect our ability to carry on our business activities. We are subject to various federal and state laws and certain changes in these laws and regulations may adversely affect our operations. Noncompliance with certain of these regulations may impact our business plans, including our ability to branch, offer certain products or execute existing or planned business strategies.

We are also subject to the accounting rules and regulations of the SEC and the Financial Accounting Standards Board. Changes in accounting rules could materially adversely affect the reported financial statements or our results of operations and may also require extraordinary efforts or additional costs to implement. Any of these laws or regulations may be modified or changed from time to time, and we cannot be assured that such modifications or changes will not adversely affect us.

A new accounting standard will result in a significant change in how we recognize credit losses and may materially adversely affect our financial condition or results of operations.

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, “Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,” which replaces the current “incurred loss” model for recognizing credit losses with an “expected loss” model referred to as the Current Expected Credit Loss (“CECL”) model. Under the CECL model, we will be required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. This differs significantly from the “incurred loss” model required under current generally accepted accounting principles, which delays recognition until it is probable a loss has been incurred. Accordingly, we expect that the adoption of the CECL model will materially affect how we determine our allowance for loan losses and could require us to significantly increase our allowance. Moreover, the CECL model may create more volatility in the level of our allowance for loan losses. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations.

The new CECL accounting standard will become effective for us for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. We are currently evaluating the impact the CECL model will have on our accounting, but we expect to recognize a one-time cumulative effect adjustment to equity and the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective. We cannot yet determine the magnitude of any such one-time cumulative adjustment or of the overall impact of the new standard on our financial condition or results of operations.

Our total consolidated assets increased to over $10 billion as of June 30, 2018, which will subject us to additional regulations and oversight that were not previously applicable to us and that will impact our revenues and/or expenses.

Upon completion of the acquisition of Hamilton in June 2018, the Company and the Bank exceeded $10 billion in total consolidated assets. As a result, certain requirements will be imposed on the Company or the Bank following the fourth consecutive quarter (and any applicable phase-in period) in which the Company or the Bank's total consolidated assets exceed that $10 billion threshold. Such regulation and oversight include becoming subject to: (i) the examination and enforcement authority of the CFPB with respect to consumer and small business products and services; (ii) deposit insurance premium assessments based on an FDIC scorecard based on, among other things, the Bank's CAMELS rating and results of asset-related stress testing and funding-related stress testing; and (iii) a cap on interchange transaction fees for debit cards, as required by Federal Reserve regulations, which will significantly reduce our interchange revenue.

It is difficult to predict the overall compliance cost of these provisions. However, compliance with these provisions will likely require additional staffing, engagement of external consultants and other operating costs that could have a material adverse effect on the future financial condition and results of operations of the Company.

We are subject to industry competition which may have an impact upon our success.

Our profitability depends on our ability to compete successfully. We operate in a highly competitive financial services environment. Certain competitors are larger and may have more resources than we do. We face competition in our regional market areas from other commercial banks, savings and loan associations, credit unions, internet banks, mortgage companies, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, and other financial intermediaries that offer similar services. Some of our nonbank competitors are not subject to the same extensive regulations that govern us or our bank subsidiary and may have greater flexibility in competing for business.

Another competitive factor is that the financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology-driven products and services. Our future success may depend, in part, on our ability to use technology competitively to provide products and services that provide convenience to customers and create additional efficiencies in our operations.

Changes in the policies of monetary authorities and other government action could materially adversely affect our profitability.

The results of our operations are affected by credit policies of monetary authorities, particularly the Federal Reserve. The instruments of monetary policy employed by the Federal Reserve include open market operations in U.S. government securities, changes in the discount rate or the federal funds rate on bank borrowings and changes in reserve requirements against bank deposits. In view of uncertain conditions in the national economy and in the money markets, we cannot predict with certainty possible future changes in interest rates, deposit levels, loan demand or our business and earnings.

We may need to rely on the financial markets to provide needed capital.

Our Common Stock is listed and traded on the Nasdaq Global Select Market ("Nasdaq"). If the liquidity of the Nasdaq market should fail to operate at a time when we may seek to raise equity capital, or if conditions in the capital markets are adverse, we may be constrained in raising capital. Downgrades in the opinions of the analysts that follow our Company may cause our stock price to fall and significantly limit our ability to access the markets for additional capital. Should these risks materialize, our ability to further expand our operations through internal growth or acquisition may be limited.

We may invest or spend the proceeds in stock offerings in ways with which you may not agree and in ways that may not earn a profit.

We may choose to use the proceeds of future stock offerings for general corporate purposes, including for possible acquisition opportunities that may become available. It is not known whether suitable acquisition opportunities may become available or whether we will be able to successfully complete any such acquisitions. We may use the proceeds of an offering only to focus on sustaining our organic, or internal, growth or for other purposes. In addition, we may use all or a portion of the proceeds of an offering to support our capital. You may not agree with the ways we decide to use the proceeds of any stock offerings, and our use of the proceeds may not yield any profits.

We face risks related to our operational, technological and organizational infrastructure.

Our ability to grow and compete is dependent on our ability to build or acquire the necessary operational and technological infrastructure and to manage the cost of that infrastructure while we expand. Similar to other large corporations, in our case, operational risk can manifest itself in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees or persons outside of our Company and exposure to external events. We are dependent on our operational infrastructure to help manage these risks. In addition, we are heavily dependent on the strength and capability of our technology systems which we use both to interface with our customers and to manage our internal financial and other systems. Our ability to develop and deliver new products that meet the needs of our existing customers and attract new customers depends in part on the functionality of our technology systems. Additionally, our ability to run our business in compliance with applicable laws and regulations is dependent on these infrastructures.

We continuously monitor our operational and technological capabilities and make modifications and improvements when we believe it will be cost effective to do so. In some instances, we may build and maintain these capabilities ourselves. We also outsource some of these functions to third parties. These third parties may experience errors or disruptions that could adversely impact us and over which we may have limited control. We also face risk from the integration of new infrastructure platforms and/or new third party providers of such platforms into our existing businesses.

Cyberattacks or other security breaches could have a material adverse effect on our business.

In the normal course of business, we collect, process and retain sensitive and confidential information regarding our customers. We also have arrangements in place with other third parties through which we share and receive information about their customers who are or may become our customers. Although we devote significant resources and management focus to ensuring the integrity of our systems through information security and business continuity programs, our facilities and systems, and those of third-party service providers, are vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors or other similar events.

Information security risks for financial institutions like us continue to increase in part because of new technologies, the use of the Internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyberattacks or other security breaches involving the theft of sensitive and confidential information, hackers continue to engage in attacks against financial institutions. These attacks include denial of service attacks designed to disrupt external customer facing services and ransomware attacks designed to deny organizations access to key internal resources or systems. We are not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. We employ detection and response mechanisms designed to contain and mitigate security incidents, but early detection may be thwarted by sophisticated attacks and malware designed to avoid detection.

We rely heavily on communications and information systems to conduct our business. Accordingly, we also face risks related to cyberattacks and other security breaches in connection with our own and third-party systems, processes and data, including credit and debit card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties, including merchant acquiring banks, payment processors, payment card networks (e.g., Visa, MasterCard) and our processors. Some of these parties have in the past been the target of security breaches and cyberattacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyberattacks affecting any of these third parties could impact us through no fault of our own, and in some cases we may have exposure and suffer losses for breaches or attacks relating to them. We also rely on numerous other third-party service providers to conduct other aspects of our business operations and face similar risks relating to them. While we conduct security reviews on these third parties, we cannot be sure that their information security protocols are sufficient to withstand a cyberattack or other security breach.

The access by unauthorized persons to, or the improper disclosure by us of, confidential information regarding our customers or our own proprietary information, software, methodologies and business secrets could result in significant legal and financial exposure, supervisory liability, damage to our reputation or a loss of confidence in the security of our systems, products and services, which could have a material adverse effect on our business, financial condition or results of operations. In addition, our industry continues to experience well-publicized attacks or breaches affecting others in our industry that have heightened concern by consumers generally about the security of using credit and debit cards, which have caused some consumers, including our customers, to use our credit and debit cards less in favor of alternative methods of payment and has led to increased regulatory focus on, and potentially new regulations relating to, these matters. Further cyberattacks or other breaches in the future, whether affecting us or others, could intensify consumer concern and regulatory focus and result in reduced use of our cards and increased costs, all of which could have a material adverse effect on our business. To the extent we are involved in any future cyberattacks or other breaches, our brand and reputation could be affected, which could also have a material adverse effect on our business, financial condition or results of operations.

Financial services companies depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions, the Company may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. The Company may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on the Company’s business and, in turn, the Company’s financial condition and results of operations.

Reputational risk and social factors may impact our results.

Our ability to originate and maintain accounts is highly dependent upon customer and other external perceptions of our business practices and our financial health. Adverse perceptions regarding our business practices or our financial health could damage our reputation in both the customer and funding markets, leading to difficulties in generating and maintaining accounts as well as in financing them. Adverse developments with respect to the consumer or other external perceptions regarding the practices of our competitors, or our industry as a whole, may also adversely impact our reputation. In addition, adverse reputational impacts on third parties with whom we have important relationships may also adversely impact our reputation. Adverse impacts on our reputation, or the reputation of our industry, may also result in greater regulatory or legislative scrutiny, which may lead to laws, regulations or regulatory actions that may change or constrain the manner in which we engage with our customers and the products we offer. Adverse reputational impacts or events may also increase our litigation risk. We carefully monitor internal and external developments for areas of potential reputational risk and have established governance structures to assist in evaluating such risks in our business practices and decisions, but we cannot be certain that our efforts will completely mitigate these risks.

We may not be able to attract and retain skilled people.

The Company’s success depends, in large part, on its ability to attract and retain key people. Competition for the best people in most activities engaged in by the Company can be intense and the Company may not be able to hire people or to retain them. The unexpected loss of services of one or more of the Company’s key personnel could have a material adverse impact on the Company’s business because of their skills, knowledge of the Company’s market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

We engage in acquisitions of other businesses from time to time. These acquisitions may not produce revenue or earnings enhancements or cost savings at levels or within timeframes originally anticipated and may result in unforeseen integration difficulties.

When appropriate opportunities arise, we will engage in acquisitions of other businesses. Difficulty in integrating an acquired business or company may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence or other anticipated benefits from any acquisition. The integration could result in higher than expected deposit attrition (run-off), loss of key employees, disruption of our business or the business of the acquired company, or otherwise adversely affect our ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. We will likely need to make additional investments in equipment and personnel to manage higher asset levels and loan balances as a result of any significant acquisition, which may materially adversely impact our earnings. Also, the negative effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected.

Depending on the condition of any institution that we may acquire, any acquisition may, at least in the near term, materially adversely affect our capital and earnings and, if not successfully integrated following the acquisition, may continue to have such effects.

Changes in national and local economic conditions could lead to higher loan charge-offs in connection with past FDIC-assisted transactions, all of which may not be supported by loss-sharing agreements with the FDIC.

Although loan portfolios acquired in past FDIC-assisted transactions have initially been accounted for at fair value, we do not know how many of the remaining acquired loans will become impaired, or to what degree such loans may become impaired, and impairment may result in additional charge-offs to the portfolio. The fluctuations in national, regional and local economic conditions, including those related to local residential, commercial real estate and construction markets, may increase the level of charge-offs that we make to our loan portfolio, and, consequently, reduce our net income, and may also increase the level of charge-offs on the loan portfolios that we have acquired in such acquisitions and correspondingly reduce our net income. These fluctuations are not predictable, cannot be controlled and may have a material adverse impact on our operations and financial condition even if other favorable events occur.

Although we have entered into loss-sharing agreements with the FDIC which provide that a significant portion of losses related to specified loan portfolios that we have acquired in connection with the FDIC-assisted transactions will be borne by the FDIC, we are not protected for all losses resulting from charge-offs with respect to those specified loan portfolios. Additionally, the loss-sharing agreements have limited terms, some of which have already expired; therefore, any charge-off of related losses that we experience after the term of the loss-sharing agreements will not be reimbursable by the FDIC and will negatively impact our net income. The loss-sharing agreements also impose standard requirements on us which must be satisfied in order to retain loss share protections.

Hurricanes or other adverse weather events could disrupt our operations or negatively affect economic conditions in the markets we serve, which could have an adverse effect on our business or results of operations.

Our market areas, located in the southeastern United States, are susceptible to natural disasters, such as hurricanes, tropical storms, other severe weather events and related flooding and wind damage. These natural disasters could negatively impact regional economic conditions, cause a decline in the value of mortgaged properties or the destruction of mortgaged properties, cause an increase in the risk of delinquencies, foreclosures or losses on loans originated by us, damage our banking facilities and offices and negatively impact our growth strategy. We cannot predict with certainty whether or to what extent damage that may be caused by severe weather events will affect our operations or assets or the economies in our current or future market areas.

RISKS RELATED TO OUR COMMON STOCK

The price of our Common Stock is volatile and may decline.

The trading price of our Common Stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations have adversely affected and may continue to adversely affect the market price of our Common Stock. Among the factors that could affect our stock price are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other financial institutions;

- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- actions by institutional shareholders;
- fluctuations in the stock price and operating results of our competitors;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- proposed or adopted regulatory changes or developments, including changes in accounting rules;
- proposed or adopted changes or developments in tax policies or rates;
- anticipated or pending investigations, proceedings or litigation that involve or affect us; or
- domestic and international economic factors unrelated to our performance.

A significant decline in our stock price could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation.

Securities issued by us, including our Common Stock, are not FDIC insured.

Securities issued by us, including our Common Stock, are not savings or deposit accounts or other obligations of any bank and are not insured by the FDIC, the Deposit Insurance Fund or any other governmental agency or instrumentality, or any private insurer, and are subject to investment risk, including the possible loss of principal.

Holders of the Company's debt obligations and any shares of the Company's preferred stock that may be outstanding in the future will have priority over the Company's common stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of interest and preferred dividends.

In the event of any winding up and termination of the Company, our Common Stock would rank below all claims of the holders of the Company's debt and any preferred stock then outstanding. As of December 31, 2018, we had outstanding trust preferred securities and accompanying junior subordinated debentures with a carrying value of $89.2 million, other subordinated notes payable with a carrying value of $73.9 million and an outstanding principal balance drawn on a revolving credit arrangement with a regional bank in the amount of $70.0 million.

Upon the winding up and termination of the Company, holders of our Common Stock will not be entitled to receive any payment or other distribution of assets until after all of our obligations to our debt holders have been satisfied and holders of our senior debt, subordinated debt and junior subordinated debentures issued in connection with trust preferred securities have received any payments and other distributions due to them. In addition, we are required to pay interest on our senior debt, subordinated debt and junior subordinated debentures issued in connection with the Company's trust preferred securities before we pay any dividends on our Common Stock.

We may borrow funds or issue additional debt and equity securities or securities convertible into equity securities, any of which may be senior to our Common Stock as to distributions and in liquidation, which could negatively affect the value of our Common Stock.

In the future, we may attempt to increase our capital resources by entering into debt or debt-like financing that is unsecured or secured by all or up to all of our assets, or by issuing additional debt or equity securities, which could include issuances of secured or unsecured commercial paper, medium-term notes, senior notes, subordinated notes, preferred stock, common stock or securities convertible into or exchangeable for equity securities. In the event of our liquidation, our lenders and holders of our debt and preferred securities would receive a distribution of our available assets before distributions to the holders of our Common Stock. Because our decision to incur debt and issue securities in our future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate with certainty the amount, timing or nature of our future offerings and debt financings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. In addition, the borrowing of funds or issuance of debt would increase our leverage and decrease our liquidity, and the issuance of additional equity securities would dilute the interests of our existing shareholders.

You may not receive dividends on the Common Stock.

Holders of our Common Stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. In 2010, in response to anticipated increases in corporate risks, our Board suspended the payment of dividends on our Common Stock. In 2014, our Board reinstated the payment of dividends on our Common Stock; however, the payment of dividends could be suspended again at any time.

Sales of a significant number of shares of our Common Stock in the public markets, or the perception of such sales, could depress the market price of our Common Stock.

Sales of a substantial number of shares of our Common Stock in the public markets and the availability of those shares for sale could adversely affect the market price of our Common Stock. In addition, future issuances of equity securities, including pursuant to outstanding options, could dilute the interests of our existing shareholders and could cause the market price of our Common Stock to decline. We may issue such additional equity or convertible securities to raise additional capital. Depending on the amount offered and the levels at which we offer the stock, issuances of common or preferred stock could be substantially dilutive to shareholders of our Common Stock. Moreover, to the extent that we issue restricted stock, phantom shares, stock appreciation rights, options or warrants to purchase our Common Stock in the future and those stock appreciation rights, options or warrants are exercised or as shares of the restricted stock vest, our shareholders may experience further dilution. Holders of our shares of Common Stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders. We cannot predict with certainty the effect that future sales of our Common Stock would have on the market price of our Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's corporate headquarters is located at 310 First St. SE, Moultrie, Georgia 31768. The Company occupies approximately 6,300 square feet at this location plus an additional 37,200 square feet used for support services for banking operations, including credit, sales and operational support, as well as audit and loan review services. The Company also leases approximately 101,700 square feet in Jacksonville, Florida used for additional corporate support services. In addition to its corporate headquarters, Ameris operates 125 office or branch locations. Of the 125 branch locations, 96 are owned and 29 are subject to either building or ground leases. Ameris also operates 16 loan production offices, all of which are subject to building leases. At December 31, 2018, there were no significant encumbrances on the offices, equipment or other operational facilities owned by Ameris and the Bank.

ITEM 3. LEGAL PROCEEDINGS

From time to time, as a normal incident of the nature and kind of business in which the Company is engaged, various claims or charges are asserted against the Company or the Bank. In the ordinary course of business, the Company and the Bank are also subject to regulatory examinations, information gathering requests, inquiries and investigations. Other than ordinary routine litigation incidental to the Company's business, management believes based on its current knowledge and after consultation with legal counsel that there are no pending or threatened legal proceedings that will, individually or in the aggregate, have a material adverse effect on the consolidated results of operations or financial condition of the Company.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Common Stock is listed on Nasdaq under the symbol “ABCB”. As of February 19, 2019, there were approximately 2,664 holders of record of the Common Stock. The Company believes a portion of Common Stock outstanding is held either in nominee name or street name brokerage accounts; therefore, the Company is unable to determine the number of beneficial owners of the Common Stock.

The amount of and nature of any dividends declared on our Common Stock will be determined by our Board of Directors in its sole discretion. The Company is required to comply with the restrictions on the payment of dividends in respect of the Common Stock discussed in the section of Part I, Item 1 of this Annual Report captioned “Payment of Dividends and Other Restrictions.”

Performance Graph

Set forth below is a line graph comparing the change in the cumulative total shareholder return on the Common Stock against the cumulative return of the NASDAQ Stock Market (U.S. Companies) index and the index of SNL U.S. Bank NASDAQ Stocks for the five-year period commencing December 31, 2013, and ending December 31, 2018. This line graph assumes an investment of $100 on December 31, 2013, and reinvestment of dividends and other distributions to shareholders.

	Period Ending					
Index	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Ameris Bancorp	100.00	122.24	163.20	211.14	235.40	156.09
NASDAQ Stock Market (US Companies)	100.00	114.75	122.74	133.62	173.22	168.30
SNL U.S. Bank NASDAQ	100.00	103.57	111.80	155.02	163.20	137.56

Source: S&P Global Market Intelligence

Pursuant to the regulations of the SEC, this performance graph is not “soliciting material,” is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected consolidated financial information for Ameris. The data set forth below is derived from the audited consolidated financial statements of Ameris. Acquisitions, including the acquisition of Coastal in 2014, the branch acquisition in 2015, the acquisition of Merchants in 2015, the acquisition of JAXB in 2016, the acquisitions of USPF, Atlantic and Hamilton in 2018, as well as the December 2016 purchase of a pool of commercial insurance premium finance loans and the establishment of a division to originate loans of this type, significantly affected the comparability of selected financial data. Specifically, since the acquisitions were accounted for using the acquisition method of accounting, the assets of the acquired institutions were recorded at their fair values, the excess purchase price over the net fair value of the assets was recorded as goodwill and the results of operations for the business have been included in the Company's results since the respective dates these acquisitions were completed. Accordingly, the level of our assets and liabilities and our results of operations for these acquisitions have significantly affected the Company's financial position and results of operations. Discussion of these acquisitions can be found in the "Corporate Restructuring and Business Combinations" section of Part I, Item 1. of this Annual Report and in Note 3 "Business Combinations" in the notes to consolidated financial statements. The selected financial data should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

(dollars in thousands, except per share data)	Year Ended December 31, 2018	2017	2016	2015	2014
Selected Balance Sheet Data:					
Total assets	$11,443,515	$7,856,203	$6,892,031	$5,588,940	$4,037,077
Earning assets	10,348,393	7,288,285	6,293,670	5,084,658	3,574,561
Loans held for sale	111,298	197,442	105,924	111,182	94,759
Loans	5,660,457	4,856,514	3,626,821	2,406,877	1,889,881
Purchased loans	2,588,832	861,595	1,069,191	909,083	945,518
Purchased loan pools	262,625	328,246	568,314	592,963	—
Investment securities	1,192,423	810,873	822,735	783,185	541,805
FDIC loss-share receivable, net of clawback	—	—	—	6,301	31,351
Total deposits	9,469,313	6,625,845	5,575,163	4,879,290	3,431,149
FDIC loss-share payable including clawback	19,487	8,803	6,313	—	—
Shareholders' equity	1,456,347	804,479	646,437	514,759	366,028
Selected Average Balances:					
Total assets	$9,744,001	$7,330,974	$6,166,714	$4,804,245	$3,731,281
Earning assets	8,861,205	6,759,509	5,598,077	4,320,948	3,303,467
Loans held for sale	140,273	113,657	97,995	87,952	71,231
Loans	5,415,757	4,188,378	2,777,505	2,161,726	1,753,013
Purchased loans	1,712,924	958,738	1,127,765	918,796	897,125
Purchased loan pools	297,850	496,844	619,440	201,689	—
Investment securities	1,036,822	861,189	842,886	731,165	508,383
Total deposits	7,862,988	5,845,430	5,200,241	4,126,885	3,200,622
Shareholders' equity	1,178,275	770,296	613,435	492,242	316,400
Selected Income Statement Data:					
Interest income	$413,326	$294,347	$239,065	$190,393	$164,566
Interest expense	69,934	34,222	19,694	14,856	14,680
Net interest income	343,392	260,125	219,371	175,537	149,886
Provision for loan losses	16,667	8,364	4,091	5,264	5,648
Noninterest income	118,412	104,457	105,801	85,586	62,836
Noninterest expense	293,647	231,936	215,835	199,115	150,869
Income before income taxes	151,490	124,282	105,246	56,744	56,205
Income tax expense	30,463	50,734	33,146	15,897	17,482
Net income	$121,027	$73,548	$72,100	$40,847	$38,723
Preferred stock dividends	—	—	—	—	286
Net income available to common shareholders	$121,027	$73,548	$72,100	$40,847	$38,437

	Year Ended December 31,				
(dollars in thousands, except per share data)	2018	2017	2016	2015	2014
Per Share Data					
Net income – basic	$2.81	$2.00	$2.10	$1.29	$1.48
Net income – diluted	2.80	1.98	2.08	1.27	1.46
Common book value	30.66	21.59	18.51	15.98	13.67
Tangible book value	18.83	17.86	14.42	12.65	10.99
Common dividends – cash	0.40	0.40	0.30	0.20	0.15
Profitability Ratios					
Net income to average total assets	1.24 %	1.00 %	1.17 %	0.85 %	1.08 %
Net income to average common shareholders' equity	10.27	9.55	11.75	8.37	12.40
Net interest margin	3.92	3.95	3.99	4.12	4.59
Efficiency ratio	63.59	63.62	66.38	76.25	70.92
Loan Quality Ratios					
Net charge-offs to average loans*	0.27 %	0.13 %	0.11 %	0.22 %	0.34 %
Allowance for loan losses to total loans *	0.46	0.44	0.56	0.85	1.12
Nonperforming assets to total loans and OREO**	0.72	0.85	1.12	1.60	3.35
Liquidity Ratios					
Loans to total deposits	88.21 %	91.25 %	94.42 %	80.11 %	82.64 %
Average loans to average earnings assets	83.81	83.50	80.83	75.96	80.22
Noninterest-bearing deposits to total deposits	26.12	26.82	28.22	27.26	24.46
Capital Adequacy Ratios					
Shareholders' equity to total assets	12.73 %	10.24 %	9.38 %	9.21 %	9.07 %
Common stock dividend payout ratio	14.23	20.00	14.29	15.50	10.14

*Excludes purchased non-covered and covered assets.

** Excludes covered assets.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

During 2018, the Company reported net income of $121.0 million, or $2.80 per diluted share, compared with $73.5 million, or $1.98 per diluted share, in 2017. The Company's net income as a percentage of average assets for 2018 and 2017 was 1.24% and 1.00%, respectively, while the Company's net income as a percentage of average shareholders' equity was 10.27% and 9.55%, respectively. Reported net income for the year ended December 31, 2017 includes a charge of $13.6 million to income tax expense
attributable to the remeasurement of the Company's deferred tax assets and deferred tax liabilities due to the federal tax legislation that reduced the Company's federal corporate tax rate.

Highlights of the Company's performance in 2018 include the following:

- Growth in adjusted net earnings[1] of $53.9 million, representing a 58.5% increase over 2017
- Organic growth in loans of $482.6 million, or 8.5%, compared with $941.0 million, or 20.3%, in 2017
- Adjusted return on average assets[1] of 1.50%, compared with 1.26% in 2017
- Adjusted return on average tangible common equity[1] of 19.18%, compared with 14.66% in 2017
- Stable net interest margin, excluding accretion[1], of 3.79% during 2018 and 2017
- Loan-to-deposit ratio at the end of 2018 of 88.2%, compared with 91.3% at the end of 2017
- Increase in total revenue of 26.7% to $461.8 million
- Annualized net charge-offs of 0.18% of average total loans and 0.27% of average non-purchased loans
- Year-over-year organic growth in non-interest bearing deposits of $183.5 million, or 10.3%
- Improvement in nonperforming assets, decreasing to 0.55% of total assets

[1] A reconciliation of Non-GAAP financial measures can be found in following two tables.

Adjusted Net Income Reconciliation

(dollars in thousands except per share data)	Year Ended December 31, 2018	2017
Net income available to common shareholders	$121,027	$73,548
Adjustment items:		
Merger and conversion charges	20,499	915
Executive retirement benefits	8,424	—
Restructuring charge	983	—
Certain compliance resolution expenses	—	5,163
Accelerated premium amortization on loans sold from purchased loan pools	—	456
Financial impact of hurricanes	882	410
Loss on sale of premises	1,033	1,264
Tax effect of adjustment items (Note 1)	(4,923)	(2,873)
After-tax adjustment items	26,898	5,335
Tax expense attributable to remeasurement of deferred tax assets and deferred tax liabilities at reduced federal corporate tax rate	—	13,388
Reduction in state tax expense accrued in prior year, net of federal tax impact	(1,717)	—
Adjusted net income	$146,208	$92,271
Average assets	$9,744,001	$7,330,974
Reported return on average assets	1.24%	1.00%
Adjusted return on average assets	1.50%	1.26%
Average common equity	$1,178,275	$770,296
Average tangible common equity	$762,274	$629,312
Reported return on average common equity	10.27%	9.55%
Adjusted return on average tangible common equity	19.18%	14.66%

Note 1: A portion of the 2018 merger and conversion charges and the 2018 executive retirement benefits are nondeductible for tax purposes.

Net Interest Margin Excluding Accretion Reconciliation

(dollars in thousands)	Year Ended December 31, 2018	2017
Total interest income (TE)	$417,414	$301,308
Accretion income	11,829	10,614
Total interest income (TE) excluding accretion	405,585	290,694
Interest expense	69,934	34,222
Net interest income (TE) excluding accretion	$335,651	$256,472
Average earning assets	$8,861,205	$6,759,509
Net interest margin (TE) excluding accretion	3.79%	3.79%

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Ameris has established certain accounting and financial reporting policies to govern the application of accounting principles generally accepted in the United States of America ("GAAP") in the preparation of its financial statements. Our significant accounting policies are described in Note 1 to the consolidated financial statements. Certain accounting policies involve significant judgments and assumptions by management which have a material impact on the carrying value of certain assets and liabilities; management considers these accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from the judgments and estimates adopted by management which could have a material impact on the carrying values of assets and liabilities and the results of our operations. We believe the following accounting policies applied by Ameris represent critical accounting policies.

Allowance for Loan Losses

We believe the allowance for loan losses is a critical accounting policy that requires the most significant judgments and estimates used in the preparation of our consolidated financial statements. The allowance for loan losses represents management's estimate of probable incurred losses in the Company's loan portfolio. Calculation of the allowance for loan losses represents a critical accounting estimate due to the significant judgment, assumptions and estimates related to the amount and timing of estimated losses, consideration of subjective environmental factors and the amount and timing of cash flows related to impaired loans.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination processes, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination.

Considering current information and events regarding a borrower's ability to repay its obligations, management considers a loan to be impaired when the ultimate collectability of all amounts due, according to the contractual terms of the loan agreement, is in doubt. When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or if the loan is collateral-dependent, the fair value of the collateral is used to determine the amount of impairment. Impairment losses are included in the allowance for loan losses through a charge to the provision for loan losses.

Subsequent recoveries are credited to the allowance for loan losses. Cash receipts for accruing loans are applied to principal and interest under the contractual terms of the loan agreement. Cash receipts on impaired loans for which the accrual of interest has been discontinued are applied first to principal and then to interest income.

Certain economic and interest rate factors could have a material impact on the determination of the allowance for loan losses. An improving economy could result in the expansion of businesses and creation of jobs which would positively affect our loan growth and improve our gross revenue stream. Conversely, certain factors could result from an expanding economy which could increase our credit costs and adversely impact our net earnings. A significant rapid rise in interest rates could create higher borrowing costs and shrinking corporate profits which could have a material impact on a borrower's ability to pay. We will continue to concentrate on maintaining a high quality loan portfolio through strict administration of our loan policy.

Another factor that we have considered in the determination of the allowance for loan losses is loan concentrations to individual borrowers or industries. Based on total committed exposure at December 31, 2018, we had 15 individual loans/lines of credit that exceeded our normal in-house credit limit of $30.0 million. Total exposure from these 15 individual loans/lines of credit amounted to $647.4 million as of December 31, 2018. The largest total committed exposure for a single loan/line of credit at December 31, 2018 was $75.0 million, and we had one line of credit at this level extended to a client of our warehouse lending division. As of December 31, 2018, we had 18 relationships consisting of 35 loans/lines of credit that exceeded $30.0 million. Total exposure from these 18 relationships amounted to $781.3 million as of December 31, 2018. The largest total committed exposure for a single relationship at December 31, 2018 was $75.0 million, and we had one relationship at this level which is a client of our warehouse lending division as well. Additional disclosure concerning the Company’s largest loan relationships is provided in the “Balance Sheet Comparison” section below.

A substantial portion of our loan portfolio is in the commercial real estate and residential real estate sectors. The majority of these loans are secured by real estate in our primary market areas. A substantial portion of OREO is located in those same markets. Therefore, the ultimate collectability of a substantial portion of our loan portfolio and the recoverability of a substantial portion of the carrying amount of OREO are susceptible to changes to market conditions in our primary market area.

Fair Value Accounting Estimates

GAAP requires the use of fair values in determining the carrying values of certain assets and liabilities, as well as for specific disclosures. The most significant fair values used in determining carrying value include investment securities available for sale, loans held for sale, derivative financial instruments, impaired loans, OREO, and the net assets acquired in business combinations. Certain of these assets do not have a readily available market to determine fair value and require an estimate based on specific parameters. When market prices are unavailable, we determine fair values utilizing estimates, which are constantly changing, including interest rates, duration, prepayment speeds and other specific conditions. In most cases, these specific parameters require a significant amount of judgment by management. At December 31, 2018, the percentage of the Company's assets measured at fair value on a recurring basis was 11%. See Note 23, "Fair Value Measures", in the notes to consolidated financial statements herein for additional disclosures regarding the fair value of our assets and liabilities.

When a loan is considered 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. In addition, foreclosed assets are carried at the net realizable value, following foreclosure. Although management believes its processes for determining the value of these assets are appropriate and allow Ameris to arrive at a fair value, the processes require management judgment and assumptions and the value of such assets at the time they are revalued or divested may be different from management's determination of fair value.

Business Combinations

Assets purchased and liabilities assumed in a business combination are recorded at their fair value. The fair value of a loan portfolio acquired in a business combination requires greater levels of management estimates and judgment than the remainder of purchased assets or assumed liabilities. On the date of acquisition, when the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments, the difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. The Company must estimate expected cash flows at each reporting date. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges and adjusted accretable yield which will have a positive impact on future interest income.

Income Taxes

As required by GAAP, we use the asset and liability method of accounting for deferred income taxes and provide deferred income taxes for all significant income tax temporary differences. See Note 16, "Income Taxes," in the notes to consolidated financial statements for additional details.

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as the provision for loan losses and gains on FDIC-assisted transactions, for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities that are included in our consolidated balance sheet.

We must also assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we must establish a valuation allowance. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. To the extent we establish a valuation allowance or adjust this allowance in a period, we must include an expense within the tax provisions in the statement of income.

Long-Lived Assets, Including Intangibles

Goodwill represents the excess of cost over the fair value of the net assets purchased in business combinations. Goodwill is required to be tested annually for impairment or whenever events occur that may indicate that the recoverability of the carrying amount is not probable. In the event of an impairment, the amount by which the carrying amount exceeds the fair value is charged to earnings. The Company performs its annual impairment testing of goodwill in the fourth quarter of each year.

Intangible assets include core deposit premiums from various past bank acquisitions as well as intangible assets recorded in connection with the USPF acquisition for insurance agent relationships, the "US Premium Finance" trade name and a non-compete agreement.

Core deposit premiums acquired in various past bank acquisitions 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 acquisition date and is amortized over an estimated useful life of seven to ten years.

The insurance agent relationships, the "US Premium Finance" trade name and non-compete agreement intangible assets acquired in the USPF acquisition are based on the established values as of the acquisition date and are being amortized over estimated useful lives of eight years, seven years and three years, respectively.

The valuation of intangible assets involves significant forward looking assumptions such as economic conditions, market interest rates, asset growth rates, credit losses, etc. Changes in any of these assumptions could materially affect the valuation of the intangible assets.

Amortization periods for intangible assets are reviewed annually in connection with the annual impairment testing of goodwill.

NET INCOME/(LOSS) AND EARNINGS PER SHARE

The Company’s net income during 2018 was $121.0 million, or $2.80 per diluted share, compared with $73.5 million, or $1.98 per diluted share, in 2017, and $72.1 million, or $2.08 per diluted share, in 2016.

For the fourth quarter of 2018, the Company recorded net income of $43.5 million, or $0.91 per diluted share, compared with $9.2 million, or $0.24 per diluted share, for the quarter ended December 31, 2017, and $18.2 million, or $0.52 per diluted share, for the quarter ended December 31, 2016.

EARNING ASSETS AND LIABILITIES

Average earning assets were approximately $8.86 billion in 2018, compared with approximately $6.76 billion in 2017. The earning asset and interest-bearing liability mix is regularly monitored to maximize the net interest margin and, therefore, increase return on assets and shareholders’ equity.

The following statistical information should be read in conjunction with the remainder of “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and the consolidated financial statements and related notes included elsewhere in this Annual Report and in the documents incorporated herein by reference.

The following tables set forth the amount of average balance, interest income or interest expense, and average interest rate for each category of interest-earning assets and interest-bearing liabilities, net interest spread and net interest margin on average interest-earning assets. Federally tax-exempt income is presented on a taxable-equivalent basis assuming a 21% federal tax rate for 2018 and a 35% federal tax rate for 2017 and 2016.

	Year Ended December 31,								
	2018			2017			2016		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate Paid	Average Balance	Interest Income/ Expense	Average Yield/ Rate Paid	Average Balance	Interest Income/ Expense	Average Yield/ Rate Paid
	(dollars in thousands)								
Assets									
Interest-earning assets:									
Federal funds sold and interest-bearing deposits in banks	$251,840	$5,092	2.02 %	$140,703	$1,725	1.23 %	$132,486	$860	0.65 %
Time deposits in other banks	5,739	119	2.07	—	—	—	—	—	—
Investment securities	1,036,822	30,145	2.91	861,189	22,586	2.62	842,886	20,229	2.40
Loans held for sale	140,273	5,709	4.07	113,657	4,222	3.71	97,995	3,391	3.46
Loans	5,415,757	269,451	4.98	4,188,378	200,999	4.80	2,777,505	131,305	4.73
Purchased loans	1,712,924	97,997	5.72	958,738	57,136	5.96	1,127,765	70,363	6.24
Purchased loan pools	297,850	8,901	2.99	496,844	14,640	2.95	619,440	17,170	2.77
Total interest-earning assets	8,861,205	417,414	4.71	6,759,509	301,308	4.46	5,598,077	243,318	4.35
Noninterest-earning assets	882,796			571,465			568,637		
Total assets	$9,744,001			$7,330,974			$6,166,714		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Savings and interest-bearing demand deposits	$4,032,178	$26,594	0.66 %	$3,172,234	$11,759	0.37 %	$2,793,713	$6,984	0.25 %
Time deposits	1,666,639	22,460	1.35	1,002,697	8,118	0.81	890,757	5,427	0.61
Federal funds purchased and securities sold under agreements to repurchase	15,692	23	0.15	28,694	56	0.20	44,324	98	0.22
FHLB advances	421,891	8,153	1.93	496,541	5,174	1.04	150,879	899	0.60
Other borrowings	113,496	6,856	6.04	68,726	4,044	5.88	45,526	1,765	3.88
Subordinated deferrable interest debentures	87,444	5,848	6.69	84,878	5,071	5.97	80,952	4,522	5.59
Total interest-bearing liabilities	6,337,340	69,934	1.10	4,853,770	34,222	0.71	4,006,151	19,695	0.49
	2,164,171			1,670,499			1,515,771		

Noninterest-bearing demand deposits						
Other liabilities	64,215		36,409		31,357	
Shareholders' equity	1,178,275		770,296		613,435	
Total liabilities and shareholders' equity	$9,744,001		$7,330,974		$6,166,714	
Interest rate spread		3.61 %		3.75 %		3.86 %
Net interest income	$347,480		$267,086		$223,623	
Net interest margin		3.92 %		3.95 %		3.99 %

RESULTS OF OPERATIONS

Net Interest Income

Net interest income represents the amount by which interest income on interest-earning assets exceeds interest expense incurred on interest-bearing liabilities. Net interest income is the largest component of our income and is affected by the interest rate environment and the volume and composition of interest-earning assets and interest-bearing liabilities. Our interest-earning assets include loans, investment securities, other investments, interest-bearing deposits in banks, federal funds sold and time deposits in other banks. Our interest-bearing liabilities include deposits, securities sold under agreements to repurchase, other borrowings and subordinated deferrable interest debentures.

2018 compared with 2017. For the year ended December 31, 2018, interest income was $413.3 million, an increase of $119.0 million, or 40.4%, compared with the same period in 2017. Average earning assets increased $2.10 billion, or 31.1%, to $8.86 billion for the year ended December 31, 2018, compared with $6.76 billion as of December 31, 2017. Yield on average earning assets on a taxable equivalent basis increased during 2018 to 4.71%, compared with 4.46% for the year ended December 31, 2017. Average yields on all interest-earning asset categories increased from 2017 to 2018 with the exception of purchased loans, which experienced a decrease from 5.96% in 2017 to 5.72% in 2018.

Interest expense on deposits and other borrowings for the year ended December 31, 2018 was $69.9 million, an increase of $35.7 million, or 104.4%, compared with $34.2 million for the year ended December 31, 2017. During 2018 average interest-bearing liabilities were $6.34 billion as compared with $4.85 billion for 2017, an increase of $1.48 billion, or 30.6%. During 2018, average noninterest-bearing accounts amounted to $2.16 billion and comprised 27.5% of average total deposits, compared with $1.67 billion, or 28.6% of average total deposits, during 2017. Average balances of time deposits amounted to $1.67 billion and comprised 21.2% of average total deposits during 2018, compared with $1.00 billion, or 17.2% of average total deposits, during 2017.

On a taxable-equivalent basis, net interest income for 2018 was $347.5 million, compared with $267.1 million in 2017, an increase of $80.4 million, or 30.1%. The Company’s net interest margin, on a tax equivalent basis, decreased three basis points to 3.92% for the year ended December 31, 2018, compared with 3.95% for the year ended December 31, 2017. Accretion income for 2018 increased to $11.8 million, compared with $10.6 million for 2017. Excluding the effect of accretion, the Company’s net interest margin for 2018 remained unchanged from 2017 at 3.79%.

2017 compared with 2016. For the year ended December 31, 2017, interest income was $294.3 million, an increase of $55.3 million, or 23.1%, compared with the same period in 2016. Average earning assets increased $1.16 billion, or 20.7%, to $6.76 billion for the year ended December 31, 2017, compared with $5.60 billion as of December 31, 2016. Yield on average earning assets on a taxable equivalent basis increased during 2017 to 4.46%, compared with 4.35% for the year ended December 31, 2016. Average yields on all interest-earning asset categories increased from 2016 to 2017 with the exception of purchased loans, which experienced a decrease in accretion income.

Interest expense on deposits and other borrowings for the year ended December 31, 2017 was $34.2 million, an increase of $14.5 million, or 73.8%, compared with $19.7 million for the year ended December 31, 2016. During 2017, average noninterest-bearing accounts amounted to $1.67 billion and comprised 28.6% of average total deposits, compared with $1.52 billion, or 29.1% of average total deposits, during 2016. Average balances of time deposits amounted to $1.00 billion and comprised 17.2% of average total deposits during 2017, compared with $890.8 million, or 17.1% of average total deposits, during 2016.

On a taxable-equivalent basis, net interest income for 2017 was $267.1 million, compared with $223.6 million in 2016, an increase of $43.5 million, or 19.4%. The Company’s net interest margin, on a tax equivalent basis, decreased 4 basis points to 3.95% for the year ended December 31, 2017, compared with 3.99% for the year ended December 31, 2016. Accretion income for 2017 decreased to $10.6 million, compared with $14.1 million for 2016. Excluding the effect of accretion, the Company’s net interest margin for 2017 increased 5 basis points to 3.79%, compared with 3.74% for 2016.

The summary of changes in interest income and interest expense on a fully taxable equivalent basis resulting from changes in volume and changes in rates for each category of earning assets and interest-bearing liabilities for the years ended December 31, 2018 and 2017 are shown in the following table:

	2018 vs. 2017			2017 vs. 2016		
	Increase	Changes Due To		Increase	Changes Due To	
(dollars in thousands)	(Decrease)	Rate	Volume	(Decrease)	Rate	Volume
Increase (decrease) in:						
Income from earning assets:						
Interest on federal funds sold and interest-bearing deposits in banks	$3,367	$2,004	$1,363	$865	$812	$53
Interest on time deposits in other banks	119	—	119	—	—	—
Interest on investment securities	7,559	2,953	4,606	2,357	1,918	439
Interest on loans held for sale	1,487	498	989	831	289	542
Interest and fees on loans	68,452	9,550	58,902	69,694	2,996	66,698
Interest on purchased loans	40,861	(4,085)	44,946	(13,227)	(2,681)	(10,546)
Interest on purchased loan pools	(5,739)	125	(5,864)	(2,530)	868	(3,398)
Total interest income	116,106	11,045	105,061	57,990	4,202	53,788
Expense from interest-bearing liabilities:						
Interest on savings and interest-bearing demand deposits	14,835	11,647	3,188	4,775	3,829	946
Interest on time deposits	14,342	8,967	5,375	2,691	2,009	682
Interest on federal funds purchased and securities sold under agreements to repurchase	(33)	(8)	(25)	(42)	(7)	(35)
Interest on FHLB advances	2,979	3,757	(778)	4,275	2,215	2,060
Interest on other borrowings	2,812	178	2,634	2,279	1,380	899
Interest on trust preferred securities	777	624	153	549	330	219
Total interest expense	35,712	25,165	10,547	14,527	9,756	4,771
Net interest income	$80,394	$(14,120)	$94,514	$43,463	$(5,554)	$49,017

Provision for Loan Losses

The allowance for loan losses is a reserve established through charges to earnings in the form of a provision for loan losses. The provision for loan losses is based on management's evaluation of the size and composition of the loan portfolio, the level of non-performing and past due loans, historical trends of charged-off loans and recoveries, prevailing economic conditions and other factors management deems appropriate. As these factors change, the level of loan loss provision may change.

The Company's provision for loan losses during 2018 amounted to $16.7 million, compared with $8.4 million for 2017 and $4.1 million in 2016. Net charge-offs in 2018 were 0.18% of average loans compared with 0.12% in 2017 and 0.03% in 2016. Net charge-offs in 2018 were 0.27% of average legacy loans, compared with 0.13% in 2017 and 0.11% in 2016. Of the $26.2 million in legacy loan net charge-offs recorded during 2018, approximately $7.2 million, or 49.5%, were charge-offs within the Premium Finance Division stemming from two purchased loan relationships. These two relationships were non-core general operating lines to insurance agencies and were not the traditional premium finance offerings that the Company primarily focuses on. Management notes that both agencies suffered unusual circumstances that precipitated their defaults. Excluding these unusual charge-offs, total net charge-offs for 2018 would have been 0.09% of average total loans and legacy net charge-offs in 2018 would have been 0.14% of average legacy loans.

At December 31, 2018, non-performing assets amounted to $63.0 million, or 0.55% of total assets, compared with $53.1 million, or 0.68% of total assets, at December 31, 2017. Legacy non-performing assets totaled $29.4 million and $28.7 million at December 31, 2018 and 2017, respectively. Legacy other real estate was approximately $7.2 million as of December 31, 2018, reflecting a 14.7% decrease from the $8.5 million reported at December 31, 2017. Purchased other real estate was $9.5 million at December 31, 2018, reflecting a 5.8% increase from the $9.0 million at December 31, 2017.

The Company's allowance for loan losses at December 31, 2018 was $28.8 million, or 0.34% of loans compared with $25.8 million, or 0.43%, and $23.9 million, or 0.45%, at December 31, 2017 and 2016, respectively. Excluding purchased loans and purchased loan pools, the Company's allowance for loan losses at December 31, 2018 was $26.2 million, or 0.46% of loans excluding purchased loans and purchased loan pools, compared with $21.5 million, or 0.44%, and $20.5 million, or 0.56%, at December 31, 2017 and 2016, respectively. A significant portion of the Company's loan growth during 2018 consisted of residential mortgage loans and funded balances on residential mortgage warehouse lines of credit, each of which presents a lower risk of default than other loan types, such as acquisition, construction and development, investor commercial real estate loans or consumer installment loans. The growth in lower-risk loans during 2018, combined with the improved historical loss rates and qualitative factors, are the primary reasons the allowance for loan losses as a percentage of loans, excluding purchased loans and purchased loan pools, remained relatively consistent from 0.44% at December 31, 2017 to 0.46% at December 31, 2018.

Noninterest Income

Following is a comparison of noninterest income for 2018, 2017 and 2016.

	Years Ended December 31,		
(dollars in thousands)	2018	2017	2016
Service charges on deposit accounts	$46,128	$42,054	$42,745
Mortgage banking activities	51,292	48,535	48,298
Other service charges, commissions and fees	3,003	2,872	3,575
Net gain (loss) on securities	(37)	37	94
Gain on sale of SBA loans	2,728	4,590	3,974
Other noninterest income	15,298	6,369	7,115
	$118,412	$104,457	$105,801

2018 compared with 2017. Total noninterest income in 2018 was $118.4 million, compared with $104.5 million in 2017, reflecting an increase of 13.4%, or $14.0 million.

Service charges on deposit accounts increased by $4.1 million, or 9.7%, to $46.1 million during 2018 compared with 2017. This increase was primarily attributable to the Atlantic and Hamilton acquisitions which both closed during the second quarter of 2018. All areas of service charges on deposits increased during 2018 including maintenance service charges on deposits, interchange income, and non-sufficient funds/overdraft charges.

Other service charges, commission and fees increased by $131,000 to $3.0 million during 2018, an increase of 4.6% compared with 2017 due to an increase in ATM fees.

Income from mortgage banking activities increased $2.8 million, or 5.7%, to $51.3 million during 2018 compared with 2017. Retail mortgage revenues increased $11.2 million, or 18.5%, during 2018, from $60.5 million for 2017 to $71.7 million for 2018. Net income for the Company's retail mortgage division grew 35.9% during 2018 to $16.5 million. Revenues from the Company's warehouse lending division increased $3.5 million, or 45.9%, during the year, from $7.6 million for 2017 to $11.1 million for 2018. Net income for the warehouse lending division increased $3.7 million , or 86.8%, during 2018, from $4.3 million for 2017 to $8.1 million for 2018.

Gain on sale of SBA loans decreased by $1.9 million, or 40.6%, to $2.7 million during 2018 compared with 2017, reflecting a 33.2% reduction in SBA loans sold during 2018 compared with 2017.

Other noninterest income increased by $8.9 million, or 140.2%, to $15.3 million during 2018 compared with 2018. This increase was primarily due to $4.5 million in other income recorded to reflect a decrease in the USPF acquisition contingent consideration expected to be paid. Additionally, loan servicing fee income, check order fees, merchant fee income, and income from bank owned life insurance were higher in 2018.

2017 compared with 2016. Total noninterest income in 2017 was $104.5 million, compared with $105.8 million in 2016, reflecting a decrease of 1.3%, or $1.3 million.

Service charges on deposit accounts decreased by $691,000 to $42.1 million during 2017, a decrease of 1.6% compared with 2016. This decrease was primarily attributable to a decrease in non-sufficient funds / overdraft charges, partially offset by increases in maintenance service charges on deposit accounts and interchange income.

Other service charges, commission and fees decreased by $703,000 to $2.9 million during 2017, a decrease of 19.7% compared with 2016 due to a decrease in ATM fees.

Income from mortgage banking activities was essentially flat during 2017, increasing slightly from $48.3 million in 2016 to $48.5 million in 2017. Retail mortgage revenues increased 8.4% during 2017, from $55.8 million for 2016 to $60.5 million for 2017. Net income for the Company's retail mortgage division grew 10.8% during 2017 to $12.1 million. Revenues from the Company's warehouse lending division decreased 1.8% during the year, from $7.8 million for 2016 to $7.6 million for 2017. However, net income for the warehouse lending division increased 4.8% during 2017, from $4.1 million for 2016 to $4.3 million for 2017.

Noninterest Expense

Following is a comparison of noninterest expense for 2018, 2017 and 2016.

	Years Ended December 31,		
(dollars in thousands)	2018	2017	2016
Salaries and employee benefits	$149,293	$120,016	$106,837
Occupancy and equipment	29,131	24,069	24,397
Amortization of intangible assets	9,512	3,932	4,376
Data processing and communications expenses	30,385	27,869	24,591
Advertising and public relations	5,571	5,131	4,181
Postage & delivery	1,853	1,803	1,906
Printing & supplies	2,471	2,047	2,158
Legal fees	1,772	1,215	1,374
Other professional fees	4,614	14,140	8,511
Directors fees	880	908	1,060
FDIC insurance	3,408	3,078	3,712
Merger and conversion charges	20,499	915	6,376
Credit resolution-related expenses	4,016	3,493	6,172
Other noninterest expenses	30,242	23,320	20,184
	$293,647	$231,936	$215,835

2018 compared with 2017. Total noninterest expense increased $61.7 million, or 26.6%, in 2018 to $293.6 million from $231.9 million in 2017. Total noninterest expense for 2018 include approximately $20.5 million in merger-related charges, $8.4 million in executive retirement benefits expense, $983,000 in restructuring charges, $882,000 in Hurricane Michael charges, $1.0 million in losses on sale of bank premises. Total noninterest expense for 2017 includes approximately $915,000 in merger-related charges, $5.2 million in compliance-related charges, $410,000 in Hurricane Irma charges and $1.3 million in losses on sale of bank premises. Excluding these amounts, expenses in 2018 increased by $37.6 million, or 16.8%, compared with 2017 levels.

Salaries and benefits increased $29.2 million, or 24.4%, from $120.0 million in 2017 to $149.3 million in 2018. This increase was attributable to $8.4 million in expense related to executive retirement benefits coupled with higher incentive pay, increased share-based compensation expense and increased investment in the Company's BSA function, as well as staff additions resulting from the Atlantic acquisition and the Hamilton acquisition both of which closed during the second quarter of 2018. Full time equivalent employees increased from 1,460 at December 31, 2017 to 1,804 at December 31, 2018.

Occupancy costs increased $5.1 million, or 21.03%, from $24.1 million in 2017 to $29.1 million in 2018 due primarily to 28 branch locations being added during 2018 as a result of the Atlantic and Hamilton acquisitions.

Amortization of intangible assets increased $5.6 million, or 141.9%, to $9.5 million for 2018 compared with $3.9 million for 2017 due to additional amortization of intangible assets recorded as part of the USPF, Atlantic and Hamilton acquisitions.

Data processing and telecommunications expenses increased $2.5 million, or 9.0%, to $30.4 million for 2018 compared with $27.9 million for 2018. This increase reflects increased core banking system charges due to an increase in the number of accounts being processed by our core banking system as a result of the Atlantic and Hamilton acquisitions and additional software fees related to the buildout of our BSA compliance program, partially offset by a $1.4 million refund recorded in the second quarter of 2018 related to overcharges on prior billings from a data processing vendor.

Other professional fees decreased $9.5 million, or 67.4%, from $14.1 million in 2017 to $4.6 million in 2018, primarily due to a $5.5 million reduction in fees incurred in the premium finance division pursuant to the USPF management and license agreement which were discontinued after completion of the USPF acquisition on January 31, 2018 coupled with a $5.2 million reduction in consulting fees related to our BSA compliance function.

Merger and conversion charges of $20.5 million in 2018 reflect an increase of $19.6 million, compared with $915,000 recorded in 2017. Merger and conversion charges were elevated in 2018 due to the acquisitions of UPSF, Atlantic and Hamilton during 2018, as well as the conversion of both Atlantic and Hamilton to our core system during 2018.

Other noninterest expense increased $6.9 million, or 29.7%, to $30.2 million in 2018 from $23.3 million in 2017, resulting primarily from increases in loan servicing expense, debit card charge-offs, natural disaster expenses related to Hurricane Michael, and servicing asset amortization expense, partially offset by a decrease in loan expense.

2017 compared with 2016. Total noninterest expense increased $16.1 million, or 7.5%, in 2017 to $231.9 million from $215.8 million in 2016. Total noninterest expense for 2017 include approximately $915,000 in merger-related charges, $5.2 million in compliance-related charges, $410,000 in Hurricane Irma charges, $1.3 million in losses on sale of bank premises, and $14.3 million in noninterest expense related to the new premium finance division that was added in late 2016. Total noninterest expense for 2016 include approximately $6.4 million in merger-related charges, $5.8 million in compliance-related charges, $992,000 in losses on sale of bank premises, and $315,000 in noninterest expense related to the premium finance division. Excluding these amounts, expenses in 2017 increased by $7.5 million, or 3.7%, compared with 2016 levels.

Salaries and benefits increased $13.2 million, or 12.3%, during 2017. The majority of this increase is attributable to $4.5 million in salary and benefit expense in the new premium finance division, $3.3 million in salary and benefit expense related to the strengthening of the Company’s BSA department, and $2.3 million in additional salary and benefits in the retail mortgage division. Exclusive of these three areas, salary and benefits increased $3.0 million, or 4.0%.

Occupancy costs decreased $328,000, or 1.3%, during 2017, principally as a result of management’s cost saving efforts during the year. Data processing and IT-related costs increased $3.3 million, or 13.3%, in 2017 due to an increased number of accounts and products, as well as customer’s increased reliance on mobile and internet oriented products and services.

Other professional fees increased $5.6 million, or 66.1%, in 2017, primarily due to fees incurred in the premium finance division pursuant to the USPF management and license agreement. Advertising and public relations and other noninterest expense increased during 2017 to support the larger operations of the Company.

Merger and conversion charges of $915,000 in 2017 reflect a decrease of $5.5 million compared with $6.4 million recorded in 2016. Merger and conversion charges were elevated in 2016 due to the acquisition of JAXB and conversion to our core system. Credit resolution-related expenses decreased $2.7 million, or 43.4%, in 2017 as credit quality continues to improve.

Income Taxes

Income tax expense is influenced by statutory federal and state tax rates, the amount of taxable income, the amount of tax-exempt income and the amount of non-deductible expenses. For the year ended December 31, 2018, the Company recorded income tax expense of approximately $30.5 million, compared with $50.7 million recorded in 2017 and $33.1 million recorded in 2016. The Company’s effective tax rate was 20.1%, 40.8% and 31.5% for the years ended December 31, 2018, 2017 and 2016, respectively. Income tax expense for the year ended December 31, 2017 includes a charge of approximately $13.6 million to income tax expense attributable to the remeasurement of the Company's deferred tax assets and deferred tax liabilities due to federal tax legislation that reduced the Company's future federal corporate tax rate. Excluding this remeasurement charge, income tax expense for the year ended December 31, 2017 would have been $37.1 million and the Company's effective tax rate would have been approximately 29.9%.

BALANCE SHEET COMPARISON

LOANS

Management believes that our loan portfolio is adequately diversified. The loan portfolio contains no foreign loans or significant concentrations in any one industry. As of December 31, 2018, approximately 68.7% of our legacy loan portfolio was secured by real estate, compared with 65.2% at December 31, 2017 and 70.3% at December 31, 2016. The amount of loans outstanding, excluding purchased loans, at the indicated dates is shown in the following table according to type of loans.

	December 31,				
(dollars in thousands)	2018	2017	2016	2015	2014
Commercial, financial and agricultural	$1,316,359	$1,362,508	$967,138	$449,623	$319,654
Real estate – construction and development	671,198	624,595	363,045	244,693	161,507
Real estate – commercial and farmland	1,814,529	1,535,439	1,406,219	1,104,991	907,524
Real estate – residential	1,403,000	1,009,461	781,018	570,430	456,106
Consumer installment	455,371	324,511	109,401	37,140	45,090
Loans, net of unearned income	$5,660,457	$4,856,514	$3,626,821	$2,406,877	$1,889,881

The following table summarizes the various loan types comprising the "Commercial, financial and agricultural" loan category displayed in the preceding table.

	December 31,				
(dollars in thousands)	2018	2017	2016	2015	2014
Municipal loans	$510,600	$522,880	$385,697	$239,151	$115,647
Premium finance loans	410,381	482,536	353,858	—	—
Other commercial, financial and agricultural loans	395,378	357,092	227,583	210,472	204,007
	$1,316,359	$1,362,508	$967,138	$449,623	$319,654

The following table provides additional disclosure on the various loan types comprising the subgroup “Real estate – commercial & farmland” at December 31, 2018.

(dollars in thousands)	Outstanding Balance	Average Maturity (Months)	Average Rate	% Nonaccrual
Owner-occupied	$597,690	79	4.98 %	0.49 %
Farmland	140,002	37	5.10 %	0.30 %
Apartments	140,443	46	4.73 %	0.05 %
Hotels and motels	67,372	64	4.96 %	0.36 %
Offices and office buildings	228,712	59	4.55 %	0.01 %
Strip centers (anchored & non-anchored)	213,172	55	4.73 %	— %
Convenience stores	6,080	51	4.39 %	0.60 %
Retail properties	238,769	77	4.94 %	0.28 %
Warehouse properties	133,565	53	4.85 %	0.13 %
All other	48,724	37	5.29 %	0.11 %
	$1,814,529	64	4.88 %	0.26 %

The Company seeks to diversify its loan portfolio across its geographic footprint and in various loan types. Also, the Company's in-house lending limit for a single loan is $30.0 million, which would normally prevent a concentration with a single loan project. Certain lending relationships may contain more than one loan and, consequently, exceed the in-house lending limit. The Company regularly monitors its largest loan relationships to avoid a concentration with a single borrower. The largest 25 loan relationships as of December 31, 2018 based on committed amount are summarized below by type.

(dollars in thousands)	Committed Amount	Average Rate	Average Maturity (months)	% Unsecured	% in Nonaccrual Status
Commercial, financial and agricultural	$ 255,895	2.68 %	162	—%	—%
Real estate – construction and development	270,880	5.43 %	61	—	—%
Real estate – commercial and farmland	69,965	4.96 %	51	—	—%
Mortgage warehouse and mortgage servicing rights lines of credit	364,826	5.23 %	3	—	—%
Total	$ 961,566	4.59 %	65	—%	—%

Total legacy loans, excluding purchased loans, as of December 31, 2018, are shown in the following table according to their contractual maturity.

	Contractual Maturity in:			
(dollars in thousands)	One Year or Less	Over One Year through Five Years	Over Five Years	Total
Commercial, financial and agricultural	$502,087	$269,271	$545,001	$1,316,359
Real estate – construction and development	222,425	309,274	139,499	671,198
Real estate – commercial and farmland	197,571	960,629	656,329	1,814,529
Real estate – residential	422,432	158,499	822,069	1,403,000
Consumer installment	12,304	153,001	290,066	455,371
	$1,356,819	$1,850,674	$2,452,964	$5,660,457

Purchased Assets

Purchased loans are defined as loans that are acquired in bank acquisitions including those acquisitions covered by the loss-sharing agreements with the FDIC. Purchased loans totaled $2.59 billion and $861.6 million at December 31, 2018 and 2017, respectively. Purchased OREO is defined as OREO that was acquired in bank acquisitions including those acquisitions covered by the loss-sharing agreements with the FDIC. Purchased OREO totaled $9.5 million and $9.0 million at December 31, 2018 and 2017, respectively.

The Bank initially records purchased loans at fair value, taking into consideration certain credit quality risk and interest rate risk. The Company believes its estimation of credit risk and its adjustments to the carrying balances of the acquired loans is adequate. If the Company determines that a loan or group of loans has deteriorated from its initial assessment of fair value, additional provision for loan loss expense will be recorded for the impairment in value. If the Company determines that a loan or group of loans has improved from its initial assessment of fair value, then the increase in cash flows over those expected at the acquisition date will result in a reversal of provision for loan loss expense to the extent of prior provisions or will be recognized as interest income prospectively if no provisions have been made or have been fully reversed.

The amount of purchased loans outstanding, at the indicated dates, is shown in the following table according to type of loan.

(dollars in thousands)	December 31, 2018	2017	2016	2015	2014
Commercial, financial and agricultural	$372,686	$74,378	$96,537	$51,008	$59,508
Real estate – construction and development	227,900	65,513	81,368	79,692	81,809
Real estate – commercial and farmland	1,337,859	468,246	576,355	461,981	454,333
Real estate – residential	623,199	250,539	310,277	311,191	344,862
Consumer installment	27,188	2,919	4,654	5,211	5,006
Total purchased non-covered loans	$2,588,832	$861,595	$1,069,191	$909,083	$945,518

Purchased loans as of December 31, 2018, are shown below according to their contractual maturity.

(dollars in thousands)	Contractual Maturity in: One Year or Less	Over One Year through Five Years	Over Five Years	Total
Purchased loans	$422,733	$935,664	$1,230,435	$2,588,832
Purchased loan pools	6,634	17,476	238,515	262,625
Total purchased loans	$429,367	$953,140	$1,468,950	$2,851,457

Total loans (legacy loans, purchased loans and purchased loan pools) which have maturity dates after one year are summarized below by those loans that have predetermined interest rates and those loans that have floating or adjustable interest rates.

(dollars in thousands)	December 31, 2018
Predetermined interest rates	$ 4,186,039
Floating or adjustable interest rates	2,552,554
	$ 6,738,593

Purchased Loan Pools

Purchased loan pools are defined as groups of residential mortgage loans that were not acquired in bank acquisitions or FDIC-assisted transactions. As of December 31, 2018, purchased loan pools totaled $262.6 million and consisted of whole-loan, adjustable rate residential mortgages on properties outside the Company’s markets, with principal balances totaling $260.5 million and $2.1 million of remaining purchase premium paid at acquisition. As of December 31, 2017, purchased loan pools totaled $328.2 million with principal balances totaling $324.4 million and $3.8 million of remaining purchase premium paid at acquisition. As of December 31, 2016, purchased loan pools totaled $568.3 million with principal balances totaling $559.4 million and $8.9 million of remaining purchase premium paid at acquisition. As of December 31, 2015, purchased loan pools totaled $593.0 million with principal balances totaling $580.7 million and $12.3 million of remaining purchase premium paid at acquisition. At December 31, 2018, 2017, 2016 and 2015 the Company has allocated approximately $732,000, $1.1 million, $1.8 million and $581,000, respectively, of the allowance for loan losses to the purchased loan pools. The Company did not have any purchased loan pools prior to 2015.

Assets Covered by Loss-Sharing Agreements with the FDIC

Included in purchased loans above are loans that were acquired in FDIC-assisted transactions that are covered by the loss-sharing agreements with the FDIC (“covered loans”) totaling $38.1 million and $30.2 million at December 31, 2018 and 2017, respectively. OREO that is covered by the loss-sharing agreements with the FDIC totaled $424,000 and $187,000 at December 31, 2018 and 2017, respectively. The loss-sharing agreements are subject to the servicing procedures as specified in the agreements with the FDIC. The expected reimbursements under the loss-sharing agreements were recorded as an indemnification asset at their estimated fair value at the respective acquisition dates. The net FDIC loss-share payable reported at December 31, 2018 was $19.5 million which includes the clawback liability of $19.5 million the Bank expects to pay to the FDIC. The net FDIC loss-share payable reported at December 31, 2017 was $8.8 million which includes the clawback liability of $10.0 million the Bank expects to pay to the FDIC.

Covered loans are shown below according to loan type as of the end of the years shown (in thousands).

	December 31,				
(dollars in thousands)	2018	2017	2016	2015	2014
Commercial, financial and agricultural	$577	$140	$794	$5,546	$21,467
Real estate – construction and development	730	195	2,992	7,612	23,447
Real estate – commercial and farmland	74	107	12,917	71,226	147,627
Real estate – residential	36,618	29,604	41,389	53,038	78,520
Consumer installment	97	107	68	107	218
Total covered loans	$38,096	$30,153	$58,160	$137,529	$271,279

ALLOWANCE AND PROVISION FOR LOAN LOSSES

The allowance for loan losses represents a reserve for probable incurred 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. We segregate our loan portfolio by type of loan and utilize this segregation in evaluating exposure to risks within the portfolio. In addition, based on internal reviews and external reviews performed by independent loan reviewers and regulatory authorities, we further segregate our 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 fine tune 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 Bank operates. Factors considered include, among others, current valuations of real estate in our markets, unemployment rates, the effect of weather conditions on agricultural related entities and other significant local economic events, such as major plant closings.

We have 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. Commercial insurance premium loans, overdraft protection loans and certain mortgage loans and consumer loans serviced by outside processors 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 percent factor to be applied to the loan balance to determine the adequate amount of allowance. Many of the larger loans require an annual review by an independent loan officer and are often reviewed by independent third parties. As a result of these loan reviews, certain loans may be assigned specific allowance allocations. Other loans that surface as problem loans may also be assigned specific allowance allocations. Assigned risk ratings can be adjusted 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 independent internal loan review department.

Generally, the primary contributor to the allowance for loan losses methodology is historical losses by loan type. The Company’s look-back period for historical losses is 16 quarters. Current period losses are lower than those incurred four years ago, which has reduced the need in the allowance for loan losses, as a percentage of loans, at December 31, 2018, as compared with prior periods. The Company’s qualitative factors currently utilized in determining the allowance for loan losses are higher compared with prior periods. Additionally, a significant portion of the Company's loan growth during 2018 consisted of residential mortgage loans and funded balances on residential mortgage warehouse lines of credit, each of which presents a lower risk of default than other loan types, such as acquisition, construction and development, investor commercial real estate loans or consumer installment loans. The growth in lower-risk loans during 2018, combined with the improved historical loss rates and qualitative factors, are the primary reasons the allowance for loan losses as a percentage of loans, excluding purchased loans and purchased loan pools, remained relatively consistent from 0.44% at December 31, 2017 to 0.46% at December 31, 2018.

The following table sets forth the breakdown of the allowance for loan losses by loan category for the periods indicated. Management believes the allowance can be allocated only on an approximate basis. The allocation of the allowance to each category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any other category.

	December 31,									
	2018		2017		2016		2015		2014	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial, financial, and agricultural	$4,287	15 %	$3,631	14 %	$2,192	9 %	$1,144	5 %	$2,004	9 %
Real estate construction & development	3,734	13	3,629	14	2,990	13	5,009	24	5,030	24
Real estate – commercial and farmland	8,975	31	7,501	29	7,662	32	7,994	38	8,823	42
Total Commercial	16,996	59	14,761	57	12,844	54	14,147	67	15,857	75
Real estate - residential	5,363	19	4,786	19	6,786	28	4,760	23	4,129	19
Consumer installment and Other	3,795	13	1,916	7	827	3	1,574	7	1,171	6
Total excluding purchased loans and purchased loan pools	26,154	91	21,463	83	20,457	85	20,481	97	21,157	100
Purchased loans	1,933	7	3,253	13	1,626	7	—	—	—	—
Purchased loan pools	732	2	1,075	4	1,837	8	581	3	—	—
Total	$28,819	100%	$25,791	100%	$23,920	100%	$21,062	100%	$21,157	100%

The following table provides an analysis of the allowance for loan losses, provision for loan losses and net charge-offs for the years ended December 31, 2018, 2017, 2016, 2015, and 2014.

	December 31,				
(dollars in thousands)	2018	2017	2016	2015	2014
Balance of allowance for loan losses at beginning of period	$25,791	$23,920	$21,062	$21,157	$22,377
Provision charged to operating expense	16,667	8,364	4,091	5,264	5,648
Charge-offs:					
Commercial, financial and agricultural	13,803	2,850	1,999	1,438	1,567
Real estate – construction and development	292	95	588	622	592
Real estate – commercial and farmland	338	853	708	2,367	3,288
Real estate - residential	771	2,151	1,122	1,587	1,707
Consumer installment	4,189	1,618	351	410	471
Purchased loans	1,738	2,900	1,559	2,709	1,935
Purchased loan pools	—	—	—	—	—
Total charge-offs	21,131	10,467	6,327	9,133	9,560
Recoveries:					
Commercial, financial and agricultural	3,769	1,270	400	651	321
Real estate – construction and development	120	246	490	323	349
Real estate – commercial and farmland	176	184	269	317	274
Real estate - residential	346	237	391	151	254
Consumer installment	499	116	127	137	486
Purchased loans	2,582	1,921	3,417	2,195	1,008
Purchased loan pools	—	—	—	—	—
Total recoveries	7,492	3,974	5,094	3,774	2,692
Net charge-offs	13,639	6,493	1,233	5,359	6,868
Balance of allowance for loan losses at end of period	$28,819	$25,791	$23,920	$21,062	$21,157

The following table provides an analysis of the allowance for loan losses and net charge-offs for legacy loans, purchased loans,
purchased loan pools and total loans held of investment.

(dollars in thousands)	Legacy Loans	Purchased Loans	Purchased Loan Pools	Total
December 31, 2018				
Allowance for loan losses at end of period	$26,154	$1,933	$732	$28,819
Net charge-offs (recoveries) for the period	14,483	(844)	—	13,639
Loan balances:				
End of period	5,660,457	2,588,832	262,625	8,511,914
Average for the period	5,415,757	1,712,924	297,850	7,426,531
Net charge-offs as a percentage of average loans	0.27 %	(0.05)%	0.00 %	0.18 %
Allowance for loan losses as a percentage of end of period loans	0.46 %	0.07 %	0.28 %	0.34 %
December 31, 2017				
Allowance for loan losses at end of period	$21,463	$3,253	$1,075	$25,791
Net charge-offs (recoveries) for the period	5,514	979	—	6,493
Loan balances:				
End of period	4,856,514	861,595	328,246	6,046,355
Average for the period	4,188,378	958,738	496,844	5,643,960
Net charge-offs as a percentage of average loans	0.13 %	0.10 %	0.00 %	0.12 %
Allowance for loan losses as a percentage of end of period loans	0.44 %	0.38 %	0.33 %	0.43 %
December 31, 2016				
Allowance for loan losses at end of period	$20,457	$1,626	$1,837	$23,920
Net charge-offs (recoveries) for the period	3,091	(1,858)	—	1,233
Loan balances:				
End of period	3,626,821	1,069,191	568,314	5,264,326
Average for the period	2,777,505	1,127,765	619,440	4,524,710
Net charge-offs as a percentage of average loans	0.11 %	(0.16)%	0.00 %	0.03 %
Allowance for loan losses as a percentage of end of period loans	0.56 %	0.15 %	0.32 %	0.45 %
December 31, 2015				
Allowance for loan losses at end of period	$20,481	$—	$581	$21,062
Net charge-offs (recoveries) for the period	4,845	514	—	5,359
Loan balances:				
End of period	2,406,877	909,083	592,963	3,908,923
Average for the period	2,161,726	918,796	201,689	3,282,211
Net charge-offs as a percentage of average loans	0.22 %	0.06 %	0.00 %	0.16 %
Allowance for loan losses as a percentage of end of period loans	0.85 %	0.00 %	0.10 %	0.54 %
December 31, 2014				
Allowance for loan losses at end of period	$21,157	$—	$—	$21,157
Net charge-offs (recoveries) for the period	5,941	927	—	6,868
Loan balances:				
End of period	1,889,881	945,518	—	2,835,399
Average for the period	1,753,013	897,125	—	2,650,138
Net charge-offs as a percentage of average loans	0.34 %	0.10 %	0.00 %	0.26 %

Allowance for loan losses as a percentage of end of period loans	1.12 %	0.00 %	0.00 %	0.75 %

At December 31, 2018, the allowance for loan losses allocated to legacy loans totaled $26.2 million, or 0.46% of legacy loans, compared with $21.5 million, or 0.44% of legacy loans, at December 31, 2017. The decrease in the allowance for loan losses as a percentage of legacy loans over the past several years reflects the change in credit risk of our portfolio, both from the mix of loan and collateral types, as well as the overall improvement in credit quality of the loan portfolio. Our legacy nonaccrual loans increased from $14.2 million at December 31, 2017 to $18.0 million at December 31, 2018. Legacy nonaccrual loans as a percentage of legacy loans increased from 0.29% at December 31, 2017 to 0.32% at December 31, 2018. For the year ended December 31, 2018, our legacy net charge off ratio as a percentage of average legacy loans increased to 0.27%, compared with 0.13% for the year ended December 31, 2017. For the year ended December 31, 2018, the Company recorded legacy net charge-offs totaling $14.5 million, compared with $5.5 million for the year ended December 31, 2017.

The provision for loan losses for the year ended December 31, 2018 increased to $16.7 million, compared with $8.4 million for the year ended December 31, 2017. As of December 31, 2018 our ratio of nonperforming assets to total assets had decreased to 0.55% from 0.68% at December 31, 2017.

The balance of the allowance for loan losses allocated to loans collectively evaluated for impairment increased 20.6%, or $4.1 million, during the year ended December 31, 2018, while the balance of loans collectively evaluated for impairment increased 42.4%, or $2.5 billion, during the same period, reflecting our Atlantic and Hamilton acquisitions. For legacy loans, a significant portion of the loan growth during 2018 was concentrated in lower risk categories such as residential mortgage loans and funded balances on residential mortgage warehouse lines of credit which did not require as large of an allowance for loan losses as other categories of loans because the inherent risk and historical losses are less than traditional loans, such as acquisition, construction and development loans, investor commercial real estate loans or consumer installment loans. In addition to the change of type of loan growth, we also experienced a decline in our historical loss rates on all loan portfolios. We consider a four year loss rate on all loan categories and our charge off ratio has been steadily declining over that period. We have adjusted the qualitative factors to account for the inherent risks in the portfolio that are not captured in the historical loss rates, such as commodity prices for agriculture products, growth rates of certain loan types and other factors management deems appropriate. As a percentage of all loans collectively evaluated for impairment, the allowance allocated to those loans decreased five basis points, from 0.34% at December 31, 2017 to 0.29% at December 31, 2018. The largest increase in allowance allocated to loans collectively evaluated for impairment as a percentage of the related loans was noted in legacy consumer installment loan portfolio. The allowance allocated to consumer installment loans evaluated collectively for impairment increased from 0.59% at December 31, 2017 to 0.83% at December 31, 2018 due to an increase in historical net chargeoffs for this loan category.

The balance of the allowance for loan losses allocated to loans individually evaluated for impairment decreased 17.5%, or $1.1 million, during the year ended December 31, 2018, while the balance of loans individually evaluated for impairment increased 3.2%, or $1.7 million during the same period. The decrease in the allowance for loan losses allocated to loans individually evaluated for impairment was primarily attributable to purchased loans. The increase in the balance of loans individually evaluated for impairment was primarily attributable to purchased loans, partially offset by a decrease in the legacy commercial and farmland real estate portfolio.

NONPERFORMING LOANS

A loan is placed on non-accrual status when, in management’s judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued in prior years and is subsequently determined to have doubtful collectability is charged to the allowance for loan losses. Interest on loans that are classified as non-accrual is recognized when received. Past due loans are placed on non-accrual status when principal or interest is past due 90 days or more unless the loan is well secured and in the process of collection. 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 non-accrual basis and loans contractually past due 90 days or more as to interest or principal payments and still accruing, excluding purchased loans.

December 31,

(dollars in thousands)	2018	2017	2016	2015	2014
Non-accrual loans, excluding purchased loans					
Commercial, financial and agricultural	$1,412	$1,306	$1,814	$1,302	$1,672
Real estate – construction and development	892	554	547	1,812	3,774
Real estate – commercial and farmland	4,654	2,665	8,757	7,019	8,141
Real estate – residential	10,465	9,194	6,401	6,278	7,663
Consumer installment	529	483	595	449	478
Total	$17,952	$14,202	$18,114	$16,860	$21,728
Loans contractually past due 90 days or more as to interest or principal payments and still accruing, excluding purchased loans	$4,222	$5,991	$—	$—	$1

The following table presents an analysis of purchased loans accounted for on a non-accrual basis and loans contractually past due 90 days or more as to interest or principal payments and still accruing.

	December 31,				
(dollars in thousands)	2018	2017	2016	2015	2014
Purchased non-accrual loans					
Commercial, financial & agricultural	$1,199	$813	$692	$3,867	$8,716
Real estate – construction and development	6,119	3,139	2,611	2,807	8,720
Real estate – commercial and farmland	5,534	5,685	10,174	9,954	22,826
Real estate – residential	10,769	5,743	9,476	9,831	13,239
Consumer installment	486	48	13	109	160
Total	$24,107	$15,428	$22,966	$26,568	$53,661
Purchased loans contractually past due 90 days or more as to interest or principal payments and still accruing	$—	$—	$—	$—	$—

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.

As of December 31, 2018 and 2017, the Company had a balance of $11.1 million and $15.6 million, respectively, in troubled debt restructurings, excluding purchased loans. The following table presents the amount of troubled debt restructurings by loan class, excluding purchased loans, classified separately as accrual and non-accrual at December 31, 2018 and 2017.

As of December 31, 2018	Accruing Loans		Non-Accruing Loans	
Loan class	#	Balance (in thousands)	#	Balance (in thousands)
Commercial, financial and agricultural	5	$ 256	14	$ 138
Real estate – construction and development	5	145	1	2
Real estate – commercial and farmland	12	2,863	3	426
Real estate – residential	71	6,043	20	1,119
Consumer installment	6	16	24	69
Total	99	$ 9,323	62	$ 1,754

As of December 31, 2017	Accruing Loans		Non-Accruing Loans	
Loan class	#	Balance (in thousands)	#	Balance (in thousands)
Commercial, financial and agricultural	4	$ 41	12	$ 120
Real estate – construction and development	6	417	2	34
Real estate – commercial and farmland	17	6,937	5	204
Real estate – residential	74	6,199	18	1,508
Consumer installment	4	5	33	98
Total	105	$ 13,599	70	$ 1,964

53

The following table presents the amount of troubled debt restructurings by loan class, excluding purchased loans, classified separately as those currently paying under restructured terms and those that have defaulted (defined as 30 days past due) under restructured terms at December 31, 2018 and 2017.

As of December 31, 2018	Loans Currently Paying Under Restructured Terms		Loans that have Defaulted Under Restructured Terms	
Loan class	#	Balance (in thousands)	#	Balance (in thousands)
Commercial, financial and agricultural	10	$ 282	9	$ 112
Real estate – construction and development	5	147	1	—
Real estate – commercial and farmland	14	3,043	1	246
Real estate – residential	65	5,756	26	1,406
Consumer installment	18	36	12	49
Total	112	$ 9,264	49	$ 1,813

As of December 31, 2017	Loans Currently Paying Under Restructured Terms		Loans that have Defaulted Under Restructured Terms	
Loan class	#	Balance (in thousands)	#	Balance (in thousands)
Commercial, financial and agricultural	9	$ 55	7	$ 106
Real estate – construction and development	4	156	4	295
Real estate – commercial and farmland	18	6,722	4	419
Real estate – residential	78	6,753	14	954
Consumer installment	24	59	13	44
Total	133	$ 13,745	42	$ 1,818

The following table presents the amount of troubled debt restructurings, excluding purchased loans, by types of concessions made, classified separately as accrual and non-accrual at December 31, 2018 and 2017.

As of December 31, 2018	Accruing Loans		Non-Accruing Loans	
Type of Concession	#	Balance (in thousands)	#	Balance (in thousands)
Forgiveness of interest	—	$ —	1	$ 55
Forbearance of interest	9			