Ameris Bancorp
Form 10-Q
November 08, 2010
**Table of Contents**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended September 30, 2010**

**OR**

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

**Commission File Number: 001-13901**

# AMERIS BANCORP

**(Exact name of registrant as specified in its charter)**

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

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

**(Address of principal executive offices)**

**(229) 890-1111**

**(Registrant s telephone number)**

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | x |
| Non-accelerated filer | ¨ (Do not check if a smaller reporting company) | Smaller reporting company | ¨ |

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

There were 23,625,065 shares of Common Stock outstanding as of November 3, 2010

**AMERIS BANCORP**

**TABLE OF CONTENTS**


| | | Page |
|---|---|---|
| **PART I** | **FINANCIAL INFORMATION** | |
| **Item 1.** | **Financial Statements.** | |
| | Consolidated Balance Sheets at September 30, 2010, December 31, 2009 and September 30, 2009 | 1 |
| | Consolidated Statements of Operations and Comprehensive Income/(Loss) for the Three and Nine Month Periods Ended September 30, 2010 and 2009 | 2 |
| | Consolidated Statements of Changes in Stockholders Equity for the Nine Months Ended September 30, 2010 and 2009 | 4 |
| | Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2010 and 2009 | 6 |
| | Notes to Consolidated Financial Statements | 8 |
| **Item 2.** | Management s Discussion and Analysis of Financial Condition and Results of Operations. | 22 |
| **Item 3.** | Quantitative and Qualitative Disclosures About Market Risk. | 34 |
| **Item 4.** | Controls and Procedures. | 34 |
| **PART II** | **OTHER INFORMATION** | |
| **Item 1.** | Legal Proceedings. | 35 |
| **Item 1A.** | Risk Factors. | 35 |
| **Item 2.** | Unregistered Sales of Equity Securities and Use of Proceeds. | 35 |
| **Item 3.** | Defaults Upon Senior Securities. | 35 |
| **Item 4.** | (Removed and Reserved). | 35 |
| **Item 5.** | Other Information. | 35 |
| **Item 6.** | Exhibits. | 35 |
| Signatures | | 36 |

Table of Contents

**Item 1. Financial Statements.**

**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(Dollars in Thousands)**

| | September 30, 2010 (Unaudited) | December 31, 2009 (Audited) | September 30, 2009 (Unaudited) |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | **$ 43,814** | $ 81,060 | $ 43,761 |
| Federal funds sold and interest bearing accounts | **306,867** | 220,363 | 114,335 |
| Investment securities available for sale, at fair value | **235,827** | 245,556 | 251,189 |
| Other investments | **7,326** | 7,260 | 4,441 |
| Loans | 1,462,832 | 1,584,359 | 1,652,689 |
| Covered loans | 185,288 | 137,248 | |
| Less: allowance for loan losses | 34,072 | 35,762 | 41,946 |
| Loans, net | **1,614,048** | 1,685,845 | 1,610,743 |
| Other real estate | 50,919 | 23,316 | 21,923 |
| Covered other real estate | 28,416 | 9,337 | |
| Total other real estate | 79,335 | 32,653 | 21,923 |
| FDIC indemnification asset | 42,532 | 45,840 | |
| Premises and equipment, net | 66,056 | 67,637 | 67,641 |
| Intangible assets, net | 3,097 | 3,586 | 3,193 |
| Goodwill | | | 54,813 |
| Other assets | 35,801 | 34,170 | 35,436 |
| Total assets | **$ 2,434,703** | $ 2,423,970 | $ 2,207,475 |
| **Liabilities and Stockholders Equity** | | | |
| Deposits: | | | |
| Noninterest-bearing | **$ 235,646** | $ 236,962 | $ 205,699 |
| Interest-bearing | **1,863,356** | 1,886,154 | 1,681,830 |
| Total deposits | **2,099,002** | 2,123,116 | 1,887,529 |
| Securities sold under agreements to repurchase | **13,186** | 55,254 | 30,393 |
| Other borrowings | | 2,000 | 7,000 |
| Other liabilities | **6,279** | 6,367 | 7,268 |
| Subordinated deferrable interest debentures | **42,269** | 42,269 | 42,269 |
| Total liabilities | **2,160,736** | 2,229,006 | 1,974,459 |
| **Stockholders Equity** | | | |
| Preferred stock, par value $1; 5,000,000 shares authorized; 52,000 shares issued | 49,975 | 49,552 | 49,411 |
| | 24,961 | 15,379 | 15,339 |

| | | | |
|---|---|---|---|
| Common stock, par value $1; 30,000,000 shares authorized; 24,961,239, 15,379,131 and 15,339,131 issued | | | |
| Capital surplus | 165,544 | 89,389 | 89,164 |
| Retained earnings | 35,947 | 44,216 | 83,372 |
| Accumulated other comprehensive income | 8,371 | 7,240 | 6,542 |
| Treasury stock, at cost, 1,336,174, 1,334,234 and 1,334,234 shares | (10,831) | (10,812) | (10,812) |
| Total stockholders equity | **273,967** | 194,964 | 233,016 |
| Total liabilities and stockholders equity | **$ 2,434,703** | $ 2,423,970 | $ 2,207,475 |

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

Table of Contents

**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)**

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

**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **Interest Income** | | | | |
| Interest and fees on loans | **$ 26,465** | $ 24,888 | **$ 79,808** | $ 76,444 |
| Interest on taxable securities | 2,295 | 2,725 | 7,259 | 9,288 |
| Interest on nontaxable securities | 295 | 329 | 898 | 751 |
| Interest on deposits in other banks and federal funds sold | 118 | 80 | 295 | 255 |
| Total Interest Income | **29,173** | 28,022 | **88,260** | 86,739 |
| **Interest Expense** | | | | |
| Interest on deposits | 6,903 | 8,684 | 21,318 | 30,869 |
| Interest on other borrowings | 270 | 526 | 671 | 1,551 |
| Total Interest Expense | **7,173** | 9,210 | **21,989** | 32,420 |
| Net Interest Income | 22,000 | 18,812 | 66,271 | 54,319 |
| **Provision for Loan Losses** | 9,739 | 8,298 | 39,117 | 25,600 |
| Net Interest Income After Provision for Loan Losses | **12,261** | 10,514 | **27,154** | 28,719 |
| **Noninterest Income** | | | | |
| Service charges on deposit accounts | 3,761 | 3,510 | 10,822 | 9,938 |
| Mortgage banking activity | 712 | 692 | 1,939 | 2,332 |
| Other service charges, commissions and fees | 180 | 131 | 626 | 271 |
| Gain on acquisitions | | | 8,208 | |
| Gain/(loss) on sale of securities | | (20) | 200 | 794 |
| Other noninterest income | 357 | 208 | 1,179 | 1,278 |
| Total Noninterest Income | **5,010** | 4,521 | **22,974** | 14,613 |
| **Noninterest Expense** | | | | |
| Salaries and employee benefits | 7,554 | 7,431 | 23,441 | 23,321 |
| Equipment and occupancy expenses | 2,171 | 2,114 | 6,256 | 6,496 |
| Amortization of intangible assets | 254 | 146 | 726 | 439 |
| Data processing and telecommunications expenses | 1,729 | 1,746 | 5,568 | 5,077 |
| Advertising and marketing expenses | 167 | 301 | 469 | 1,314 |
| Other non-interest expenses | 7,053 | 3,622 | 22,813 | 12,169 |

| | | | | |
|---|---|---|---|---|
| Total Noninterest Expense | **18,928** | 15,360 | **59,273** | 48,816 |
| Loss Before Income Tax Benefit | (1,657) | (325) | (9,145) | (5,484) |
| Applicable Income Tax Benefit | (760) | (198) | (3,293) | (2,027) |
| Net Loss | **$ (897)** | $ (127) | **$ (5,852)** | $ (3,457) |
| Preferred Stock Dividends | **807** | 664 | **2,402** | 1,918 |
| Net Loss Available to Common Shareholders | **$ (1,704)** | $ (791) | **$ (8,254)** | $ (5,375) |
| **Other Comprehensive Income** | | | | |
| Unrealized holding gain arising during period on investment securities available for sale, net of tax | 736 | 1,469 | 1,680 | 192 |
| Unrealized gain/(loss) on cash flow hedges arising during period , net of tax | (130) | (959) | (343) | 280 |
| Reclassification adjustment for (gains) included in net loss, net of tax | (69) | (33) | (206) | (516) |
| **Other Comprehensive Income/(Loss)** | 537 | 477 | 1,131 | (44) |
| | **$ (360)** | $ 350 | **$ (4,721)** | $ (3,501) |
| **Basic and Diluted (loss)/earnings per share** | **$ (0.07)** | $ (0.07) | **$ (0.42)** | $ (0.41) |
| **Weighted Average Common Shares Outstanding** | | | | |
| Basic and Diluted | **23,571** | 13,906 | **19,569** | 13,945 |

2

**Table of Contents**

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

Table of Contents

**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

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

**(Unaudited)**

| | Nine Months Ended September 30, 2010 | | Nine Months Ended September 30, 2009 | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| **PREFERRED STOCK** | | | | |
| Balance at beginning of period | 52,000 | $ 49,552 | 52,000 | $ 49,028 |
| Accretion of fair value of warrant | | 423 | | 383 |
| ***Issued at end of period*** | **52,000** | **$ 49,975** | 52,000 | **$ 49,411** |
| **COMMON STOCK** | | | | |
| Issued at beginning of period | 15,379,131 | $ 15,379 | 15,289,625 | $ 15,290 |
| Issuance of common stock | 9,473,125 | 9,473 | | |
| Issuance of restricted shares | 113,800 | 114 | | |
| Cancellation of restricted shares | (8,500) | (9) | 48,750 | 49 |
| Proceeds from exercise of stock options | 3,683 | 4 | 756 | 1 |
| ***Issued at end of period*** | **24,961,239** | **$ 24,961** | **15,339,131** | **$ 15,339** |
| **CAPITAL SURPLUS** | | | | |
| Balance at beginning of period | | $ 89,389 | | $ 88,771 |
| Stock-based compensation | | 389 | | 437 |
| Issuance of common stock | | 75,797 | | |
| Proceeds from exercise of stock options | | 26 | | 5 |
| Issuance of restricted shares | | (66) | | (49) |
| Cancellation of restricted shares | | 9 | | |
| Tax adjustment for vesting of restricted shares | | | | |
| ***Balance at end of period*** | | **$ 165,544** | | **$ 89,164** |
| **RETAINED EARNINGS** | | | | |
| Balance at beginning of period | | $ 44,216 | | $ 90,539 |
| Net (loss)/income | | (5,852) | | (3,457) |
| Dividends on preferred shares | | (1,972) | | (1,918) |
| Accretion of fair value warrant | | (423) | | (383) |
| Cash dividends on common shares | | (22) | | (1,409) |
| ***Balance at end of period*** | | **$ 35,947** | | **$ 83,372** |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)** | | | | |
| Unrealized gains (losses) on securities and derivatives: | | | | |
| Balance at beginning of period | | $ 7,240 | | $ 6,518 |
| Accumulated other comprehensive income | | 1,131 | | 24 |

| | | |
|---|---|---|
| ***Balance at end of period*** | **$ 8,371** | **$ 6,542** |
| **TREASURY STOCK** | | |
| Balance at beginning of period | $ 10,812 | $ 10,787 |
| Purchase of treasury shares | 19 | 25 |
| ***Balance at end of period*** | **$ 10,831** | **$ 10,812** |
| ***TOTAL STOCKHOLDER S EQUITY*** | **$ 273,967** | **$ 233,016** |

4

**Table of Contents**

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

Table of Contents

**AMERIS BANCORP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Dollars in Thousands)**

**(Unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2010** | **2009** |
| **Cash Flows From Operating Activities:** | | |
| Net Loss | $ (5,852) | $ (3,457) |
| Adjustments reconciling net loss to net cash provided by operating activities: | | |
| Depreciation | 2,533 | 2,658 |
| Net (gains)/losses on sale or disposal of premises and equipment | (274) | 95 |
| Net losses or write-downs on sale of other real estate owned | 5,923 | 706 |
| Provision for loan losses | 39,117 | 25,600 |
| Provision for deferred taxes | 4,833 | 1,999 |
| Gain on acquisitions | (8,208) | |
| Amortization of intangible assets | 726 | 438 |
| Net gains on securities available for sale | (200) | (794) |
| Change in prepaid FDIC assessment | 3,647 | (498) |
| Other prepaids, deferrals and accruals, net | 11,725 | (1,636) |
| **Net cash provided by operating activities** | 53,970 | 23,610 |
| **Cash Flows From Investing Activities:** | | |
| Net (increase)/decrease in federal funds sold and interest bearing deposits | (71,279) | 30,048 |
| Proceeds from maturities of securities available for sale | 65,095 | 135,318 |
| Purchase of securities available for sale | (48,287) | (50,196) |
| Proceeds from sales of securities available for sale | 6,145 | 31,879 |
| Net (increase) / decrease in loans | 21,554 | (6,735) |
| Proceeds from sales of other real estate owned | 29,284 | 8,632 |
| Proceeds from sales of premises and equipment | 1,714 | 1,647 |
| Purchases of premises and equipment | (2,392) | (5,934) |
| Decrease in FDIC indemnification asset | 3,308 | |
| Cash paid in FDIC-assisted acquisition | (35,657) | |
| **Net cash (used in) provided by investing activities** | (30,515) | 144,659 |
| **Cash Flows From Financing Activities:** | | |
| Net decrease in deposits | (99,909) | (125,996) |
| Net increase/(decrease) in securities sold under agreements to repurchase | (42,068) | 2,977 |
| Decrease in other borrowings | (2,000) | (65,000) |
| Dividends paid - preferred stock | (1,972) | (1,918) |
| Dividends paid - common stock | (22) | (1,358) |
| Issuance of common stock | 85,270 | |
| **Net cash (used in) provided by financing activities** | (60,701) | 191,295 |

| | | |
|---|---|---|
| **Net decrease in cash and due from banks** | $ (37,246) | $ (23,026) |
| **Cash and due from banks at beginning of period** | 81,060 | 66,787 |
| **Cash and due from banks at end of period** | $ 43,814 | $ 43,761 |

6

**Table of Contents**

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

**AMERIS BANCORP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2010**

**(Unaudited)**

**NOTE 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

Ameris Bancorp (the Company or Ameris ) is a financial holding company headquartered in Moultrie, Georgia. Ameris conducts the majority of its operations through its wholly-owned banking subsidiary, Ameris Bank (the Bank ). At September 30, 2010, the Bank operated 50 branches in select markets in Georgia, Alabama, Florida and South Carolina. Our business model capitalizes on the efficiencies of a large financial services company while still providing the community with the personalized banking service expected by our customers. We manage our Bank through a balance of decentralized management responsibilities and efficient centralized operating systems, products and loan underwriting standards. Ameris Board of Directors and senior managers establish corporate policy, strategy and administrative policies. Within Ameris established guidelines and policies, to minimize risk, community boards and senior managers make lending and community specific decisions. This approach allows the banker closest to the customer to respond to the differing needs and demands of their unique market.

The accompanying unaudited consolidated financial statements for Ameris have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. The interim consolidated financial statements included herein are unaudited, but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the period ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto and the report of our registered independent public accounting firm included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

Certain amounts reported for the periods ended December 31, 2009 and September 30, 2009 have been reclassified to conform to the presentation as of September 30, 2010. These reclassifications had no effect on previously reported net income or stockholders equity.

***Newly Adopted Accounting Pronouncements***

In January 2010, the FASB issued Accounting Standards Update No. 2010-01, *Accounting for Distributions to Shareholders with Components of Stock and Cash* ( ASU No. 2010-01 ). ASU No. 2010-01 provides guidance on the accounting for distributions offering shareholders the choice of receiving cash or stock. Under such guidance, the stock portion of the distribution is not considered to be a stock dividend, and for purposes of calculating earnings per share it is deemed a new share issuance not requiring retroactive restatement. This guidance is effective for the first reporting period, including interim periods, ending after December 15, 2009. The update is not expected to have a material impact on the Company s results of operations, financial position or disclosures.

In January 2010, the FASB issued Accounting Standards Update No. 2010-04, *Technical Corrections to SEC Paragraphs* ( ASU No. 2010-04 ). The update is not expected to have an impact on the Company s results of operations, financial position or disclosures.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements* ( ASU No. 2010-06 ). ASU No. 2010-06 amends FASB ASC Topic 820-10-50, Fair Value Measurements and Disclosures, to require additional information to be disclosed principally regarding Level 3 measurements and transfers to and from Level 1 and 2. In addition, enhanced disclosure is required concerning inputs and valuation techniques used to determine Level 2 and Level 3 measurements. This guidance is generally effective for interim and annual reporting periods beginning after December 15, 2009; however, requirements to disclose separately purchases, sales, issuances, and settlements in the Level 3 reconciliation are effective for fiscal years beginning after December 15, 2010 (and for interim periods within such years). The update is not expected to have a material impact on the Company s results of operations or financial position, and will have a minimal impact on its disclosures.

In February 2010, the FASB issued Accounting Standards Update No. 2010-09, *Amendments to Certain Recognition and Disclosure Requirements* ( ASU No. 2010-09 ). ASU No. 2010-09 amends FASB ASC Subtopic 855-10, Subsequent Events, to remove the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated in both issued and revised financial statements. This change alleviates potential conflicts between ASC Subtopic 855-10 and the SEC s requirements. The update is not expected to have a material impact on the Company s results of operations or financial position, and will have a minimal impact on its disclosures.

Table of Contents

In April 2010, the FASB issued Accounting Standards Update No. 2010-18, *Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset* ( ASU No. 2010-18). ASU No. 2010-18 provides guidance on the accounting for loan modifications when the loan is part of a pool of loans accounted for as a single asset such as acquired loans that have evidence of credit deterioration upon acquisition that are accounted for under the guidance in ASC 310-30. ASU No. 2010-18 addresses diversity in practice on whether a loan that is part of a pool of loans accounted for as a single asset should be removed from that pool upon a modification that would constitute a troubled debt restructuring or remain in the pool after modification. ASU No. 2010-18 clarifies that modifications of loans that are accounted for within a pool under ASC 310-30 do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if the expected cash flows for the pool change. The amendments in this update do not require any additional disclosures and are effective for modifications of loans accounted for within pools under ASC 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. ASU 2010-18 is not expected to have a material impact on the Company s results of operations, financial position or disclosures.

In July 2010, the FASB issued Accounting Standards Update No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* ( ASU 2010-20 ). ASU 2010-20 amends existing disclosure guidance to require an entity to provide a greater level of disaggregated information about the credit quality of its financing receivables and its allowance for credit losses. ASU 2010-20 is effective for fiscal and interim periods ending after December 15, 2010. The Company will review the requirements under the standard to determine what impacts, if any, the adoption of the standard would have on our consolidated financial statements.

***Fair Value of Financial Instruments***

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

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

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

**Investment Securities Available for Sale:** The fair value of securities available for sale is determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and municipal bonds. The level 2 fair value pricing is provided by an independent third-party and is based upon similar securities in an active market. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain residual municipal securities and other less liquid securities. Federal Home Loan Bank ( FHLB ) stock is included in other investment securities at its original cost basis, as cost approximates fair value and there is no ready market for such investments.

**Loans:** The carrying amount of variable-rate loans that reprice frequently and have no significant change in credit risk approximates fair value. The fair value of fixed-rate loans is estimated based on discounted contractual cash flows, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. The fair value of impaired loans is estimated based on discounted contractual cash flows or underlying collateral values, where applicable. A loan is determined to be impaired if the Company believes it is probable that all principal and interest amounts due according to the terms of the loan will not be collected as scheduled. The fair value of impaired loans is determined in accordance with accounting standards and generally results in a specific reserve established through a charge to the provision for loan losses. Losses on impaired loans are charged to the allowance when management believes the uncollectability of a loan is confirmed. Management has determined that the majority of impaired loans are Level 2 assets due to the extensive use of market appraisals. To the extent that market appraisals or other methods do not produce reliable determinations of fair value, these assets are deemed to be Level 3.

Table of Contents

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

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

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

**Off-Balance-Sheet Instruments:** The carrying amount of commitments to extend credit and standby letters of credit approximates fair value. The carrying amount of the off-balance-sheet financial instruments is based on fees charged to enter into such agreements.

**Derivatives:** The Company s current hedging strategies involve utilizing interest rate floors and interest rate swaps. The fair value of derivatives is recognized as assets or liabilities in the financial statements. The accounting for the changes in the fair value of a derivative depends on the intended use of the derivative instrument at inception and ongoing tests of effectiveness. As of September 30, 2010, the Company had cash flow hedges with a notional amount of $35.0 million.

**Other Real Estate:** The fair value of other real estate owned ( OREO ) is determined using certified appraisals that value the property at its highest and best uses by applying traditional valuation methods common to the industry. The Company does not hold any OREO for profit purposes and all other real estate is actively marketed for sale. Management has determined that in some cases the valuation method for other real estate does not produce estimates of fair value that represents disposal level values for assets management is actively, sometimes aggressively marketing. Because of this, management routinely applies discounts to appraisals and as such have classified these assets as level 3.

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

| | September 30, 2010 | | December 31, 2009 | | September 30, 2009 | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | | | (Dollars in Thousands) | | | |
| **Financial assets:** | | | | | | |
| Loans, net | $ 1,614,048 | $ 1,622,871 | $ 1,685,845 | $ 1,698,431 | $ 1,610,743 | $ 1,623,132 |
| **Financial liabilities:** | | | | | | |
| Deposits | $ 2,099,002 | $ 2,100,502 | $ 2,123,116 | $ 2,125,834 | $ 1,887,529 | $ 1,891,817 |
| Other borrowings | $ | $ | $ 2,000 | $ 2,040 | $ 7,000 | $ 7,067 |

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

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

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

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

Table of Contents

The following table presents the fair value measurements of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of September 30, 2010 and 2009 and December 31, 2009 (dollars in thousands):

| | Fair Value Measurements on a Recurring Basis As of September 30, 2010 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| U.S. government agencies | $ 16,281 | $ | $ 16,281 | $ |
| State and municipal securities | 48,772 | | 48,772 | |
| Corporate debt securities | 9,853 | | 7,853 | 2,000 |
| Mortgage backed securities | 160,921 | | 160,921 | |
| Derivative financial instruments | 1,280 | | 1,280 | |
| **Total recurring assets at fair value** | **$ 237,107** | **$** | **$ 235,107** | **$ 2,000** |

| | Fair Value Measurements on a Recurring Basis As of December 31, 2009 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| U.S. government agencies | $ 39,525 | $ | $ 39,525 | $ |
| State and municipal securities | 38,156 | | 38,156 | |
| Corporate debt securities | 8,675 | | 6,675 | 2,000 |
| Mortgage backed securities | 159,200 | | 159,200 | |
| Derivative financial instruments | 1,882 | | 1,882 | |
| **Total recurring assets at fair value** | **$ 247,438** | **$** | **$ 245,438** | **$ 2,000** |

| | Fair Value Measurements on a Recurring Basis As of September 30, 2009 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| U.S. government agencies | $ 40,709 | $ | $ 40,709 | $ |
| State and municipal securities | 40,728 | | 40,728 | |
| Corporate debt securities | 8,901 | | 6,901 | 2,000 |
| Mortgage backed securities | 160,851 | | 160,851 | |
| Derivative financial instruments | 4,199 | | 4,199 | |
| **Total recurring assets at fair value** | **$ 255,388** | **$** | **$ 253,388** | **$ 2,000** |

The following table is a description of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy as of September 30, 2010 and 2009 and December 31,2009 (dollars in thousands):

| | Fair Value Measurements on a Nonrecurring Basis As of September 30, 2010 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| Impaired loans carried at fair value | $ 77,916 | $ | $ 77,916 | $ |
| Other real estate owned | 50,919 | | | 50,919 |
| Covered loans | 185,288 | | | 185,288 |

| | | | | |
|---|---|---|---|---|
| Covered other real estate owned | 28,416 | | | 28,416 |
| **Total non-recurring assets at fair value** | $ 342,539 | $ | $ 77,916 | $ 264,623 |

| | Fair Value Measurements on a Nonrecurring Basis As of December 31, 2009 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| | **(Dollars in Thousands)** | | | |
| Impaired loans carried at fair value | $ 81,050 | $ | $ 81,050 | $ |
| Other real estate owned | 23,316 | | | 23,316 |
| Covered loans | 137,248 | | | 137,248 |
| Covered other real estate owned | 9,337 | | | 9,337 |
| **Total nonrecurring assets at fair value** | $ 250,951 | $ | $ 81,050 | $ 169,901 |

Table of Contents

| | Fair Value Measurements on a Nonrecurring Basis As of September 30, 2010 | | | |
|---|---|---|---|---|
| | Fair Value | (Level 1) | (Level 2) | (Level 3) |
| Impaired loans carried at fair value | $ 83,917 | $ | $ 83,917 | $ |
| Other real estate owned | 21,923 | | 21,923 | |
| **Total nonrecurring assets at fair value** | $ 105,840 | $ | $ 105,840 | $ |

Pursuant to accounting standards, below is the Company s reconciliation of Level 3 assets as of September 30, 2010. Gains or losses on impaired loans are recorded in the provision for loan losses.

| | Investment Securities Available for Sale | Other Real Estate Owned | Covered Loans | Covered Other Real Estate |
|---|---|---|---|---|
| Beginning balance January 1, 2010 | $ 2,000 | $ 23,316 | $ 137,248 | $ 9,337 |
| Total gains/(losses) included in net income | | (5,923) | 2,543 | |
| Purchases, sales, issuances, and settlements, net | | (16,383) | 45,497 | 19,079 |
| Transfers in or out of Level 3 | | 49,909 | | |
| **Ending balance September 30, 2010** | **$ 2,000** | **$ 50,919** | **$ 185,288** | **$ 28,416** |

**NOTE 2 COMMON STOCK OFFERING**

On April 20, 2010, the Company completed a registered public offering of shares of the Company s common stock, par value $1.00 per share (the Common Stock ), in which the Company sold 9,473,125 shares of Common Stock at an offering price of $9.50 per share. The Company s net proceeds from the offering totaled approximately $85.3 million.

**NOTE 3 SUBSEQUENT EVENT**

Subsequent to September 30, 2010, the Company participated in a federally assisted acquisition that will likely not have a material impact on the Company s operations and statement of condition. The acquisition is described as follows:

**First Bank of Jacksonville, Jacksonville, Florida:**

On October 22, 2010, Ameris Bank purchased substantially all of the assets and assumed substantially all the liabilities of First Bank of Jacksonville ( FBJ ) from the Federal Deposit Insurance Corporation ( FDIC ), as Receiver of FBJ. FBJ operated two branches in Jacksonville, Florida. The Company s agreement with the FDIC included a loss-sharing agreement which affords Ameris Bank significant protection from losses associated with loans and OREO. Under the terms of the loss sharing agreements, the FDIC will absorb 80 percent of losses and share 80 percent of loss recoveries during the term of the agreements. The term for loss sharing on residential real estate loans is ten years, while the term for loss sharing on all other loans is five years.

The Company s bid to acquire FBJ included a discount on the book value of the assets totaling $4.81 million. Ameris Bank s bid resulted in a cash payment from the FDIC totaling $8.1 million. The Company s gain on the acquisition is estimated to be less than $1.0 million, after tax.

**NOTE 4 INVESTMENT SECURITIES**

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

The amortized cost and estimated fair value of investment securities available for sale at September 30, 2010, December 31, 2009 and September 30, 2009 are presented below:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | (Dollars in Thousands) | | | |
| September 30, 2010: | | | | |
| U. S. government agencies | $ 15,358 | $ 923 | $ | $ 16,281 |
| State and municipal securities | 46,600 | 2,174 | (2) | 48,772 |
| Corporate debt securities | 12,522 | 170 | (2,839) | 9,853 |
| Mortgage-backed securities | 153,545 | 7,379 | (3) | 160,921 |
| Total debt securities | $ 228,025 | $ 10,646 | $ (2,844) | $ 235,827 |
| December 31, 2009: | | | | |
| U. S. government agencies | $ 39,194 | $ 416 | $ (85) | $ 39,525 |
| State and municipal securities | 37,133 | 1,048 | (25) | 38,156 |
| Corporate debt securities | 12,178 | 36 | (3,539) | 8,675 |
| Mortgage-backed securities | 151,833 | 7,536 | (169) | 159,200 |
| Total securities | $ 240,338 | $ 9,036 | $ (3,818) | $ 245,556 |

Table of Contents

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| September 30, 2009: | | | | |
| U. S. government agencies | $ 40,115 | $ 594 | $ | $ 40,709 |
| State and municipal securities | 39,381 | 1,368 | (21) | 40,728 |
| Corporate debt securities | 12,181 | 77 | (3,357) | 8,901 |
| Mortgage-backed securities | 153,524 | 7,455 | (128) | 160,851 |
| Total securities | $ 245,201 | $ 9,494 | $ (3,506) | $ 251,189 |

The amortized cost and fair value of available-for-sale securities at September 30, 2010 by contractual maturity are summarized in the table below. Expected maturities for mortgage-backed securities may differ from contractual maturities because in certain cases borrowers can prepay obligations without prepayment penalties. Therefore, these securities are not included in the following maturity summary.

| | Amortized Cost | Fair Value |
|---|---|---|
| | (Dollars in Thousands) | |
| Due in one year or less | $ 2,439 | $ 2,454 |
| Due from one year to five years | 17,099 | 17,796 |
| Due from five to ten years | 35,022 | 36,868 |
| Due after ten years | 19,920 | 17,788 |
| Mortgage-backed securities | 153,545 | 160,921 |
| | $ 228,025 | $ 235,827 |

Securities with a carrying value of approximately $94.9 million were pledged to secure public deposits and other purposes required or permitted by law at September 30, 2010.

The following table details the gross unrealized losses and fair value of securities aggregated by category and duration of continuous unrealized loss position at September 30, 2010 and December 31, 2009.

| Description of Securities | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | | | (Dollars in Thousands) | | | |
| September 30, 2010: | | | | | | |
| U. S. government agencies | $ | $ | $ | $ | $ | $ |
| State and municipal securities | 1,205 | (2) | | | 1,205 | (2) |
| Corporate debt securities | 99 | (1) | 5,153 | (2,838) | 5,252 | (2,839) |
| Mortgage-backed securities | 1,615 | (3) | 15 | | 1,630 | (3) |
| Total debt securities | 2,919 | (6) | 5,168 | (2,838) | 8,087 | (2,844) |

| | | | | | | |
|---|---|---|---|---|---|---|
| December 31, 2009: | | | | | | |
| U. S. government agencies | $ 14,908 | $ (85) | $ | $ | $ 14,908 | $ (85) |
| State and municipal securities | 3,200 | (22) | 613 | (3) | 3,813 | (25) |
| Corporate debt securities | 861 | (139) | 4,722 | (3,400) | 5,583 | (3,539) |
| Mortgage-backed securities | | | 1,408 | (169) | 1,408 | (169) |
| Total debt securities | $ 18,969 | $ (246) | $ 6,743 | $ (3,572) | $ 25,712 | $ (3,818) |

| **Less Than 12 Months** | | | **12 Months or More** | | **Total** | |
|---|---|---|---|---|---|---|
| **Description of Securities** | **Fair Value** | **Unrealized Losses** | **Fair Value** | **Unrealized Losses** | **Fair Value** | **Unrealized Losses** |
| | | | **(Dollars in Thousands)** | | | |
| **September 30, 2009:** | | | | | | |
| **U. S. government sponsored agencies** | **$** | **$** | **$** | **$** | **$** | **$** |
| **State and municipal securities** | **1,802** | **(11)** | **605** | **(10)** | **2,407** | **(21)** |
| **Corporate debt securities** | **2,759** | **(2,418)** | **2,009** | **(939)** | **4,768** | **(3,357)** |
| **Mortgage-backed securities** | **1,984** | **(126)** | **427** | **(2)** | **2,411** | **(128)** |
| **Total debt securities** | **$ 6,545** | **$ (2,555)** | **$ 3,041** | **$ (951)** | **$ 9,586** | **$ (3,506)** |

**NOTE 5 LOANS**

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

The Company evaluates loans for impairment when a loan is risk rated as substandard or worse. The Company measures impairment based upon the present value of the loan s expected future cash flows discounted at the loan s effective interest rate, except where foreclosure or liquidation of collateral is probable or when the primary source of repayment is provided by real estate collateral. In these circumstances, impairment is measured based upon the estimated fair value of the collateral less selling cost. In addition, in certain circumstances, impairment may be based on the loan s observable market price. Impairment with regard to substantially all of Ameris impaired loans has been measured based on the estimated fair value of the underlying collateral. At the time the contractual principal payments on a loan are deemed uncollectible, Ameris policy is to record a charge against the allowance for loan losses. Loans acquired in FDIC-assisted acquisitions that are subject to loss-sharing agreements are discussed further in Note 8.

Nonperforming assets include loans classified as nonaccrual or renegotiated and foreclosed or repossessed assets. It is the general policy of the Company to stop accruing interest income and place the recognition of interest on a cash basis when any commercial, industrial or commercial real estate loan is 90 days or more past due as to principal or interest and/or the ultimate collection of either is in doubt, unless collection of both principal and interest is assured by way of collateralization, guarantees or other security. When a loan is placed on nonaccrual status, any interest previously accrued but not collected is reversed against current income unless the collateral for the loan is sufficient to cover the accrued interest or a guarantor assures payment of interest.

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

| **(Dollars in Thousands)** | **September 30, 2010** | **December 31, 2009** | **September 30, 2009** |
|---|---|---|---|
| Commercial, financial and agricultural | $ 171,031 | $ 168,046 | $ 185,942 |

| | | | |
|---|---|---|---|
| Real estate residential | 165,918 | 182,483 | 187,327 |
| Real estate commercial and farmland | 995,739 | 1,063,369 | 1,095,471 |
| Real estate construction and development | 70,319 | 100,770 | 114,208 |
| Consumer installment | 53,727 | 59,108 | 61,643 |
| Other | 6,098 | 10,583 | 8,098 |
| | $ 1,462,832 | $ 1,584,359 | $ 1,652,689 |

Covered loans at September 30, 2010 and December 31, 2009 are shown below:

| **(Dollars in Thousands)** | **September 30, 2010** | **December 31, 2009** |
|---|---|---|
| Commercial, financial and agricultural | $ 16,506 | $ 22,854 |
| Real estate residential | 43,047 | 11,454 |
| Real estate commercial and farmland | 90,158 | 65,087 |
| Real estate construction and development | 27,736 | 23,168 |
| Consumer installment | 7,841 | 14,685 |
| | $ 185,288 | $ 137,248 |

**NOTE 6 ALLOWANCE FOR LOAN LOSSES**

Activity in the allowance for loan losses for the nine months ended September 30, 2010 and 2009, and for the twelve months ended December 31, 2009 is as follows:

| (Dollars in Thousands) | September 30, 2010 | December 31, 2009 | September 30, 2009 |
|---|---|---|---|
| Balance, January 1 | **$ 35,762** | $ 39,652 | $ 39,652 |
| Provision for loan losses charged to expense | 39,117 | 42,068 | 25,600 |
| Loans charged off | (43,130) | (47,129) | (24,616) |
| Recoveries of loans previously charged off | 2,323 | 1,171 | 1,310 |
| Ending balance | **$ 34,072** | $ 35,762 | $ 41,946 |

The following is a summary of information pertaining to impaired loans for the nine months ended September 30, 2010 and 2009 and the twelve months ended December 31, 2009:

| (Dollars in Thousands) | September 30, 2010 | December 31, 2009 | September 30, 2009 |
|---|---|---|---|
| Impaired loans requiring a valuation allowance | **$ 66,846** | $ 55,504 | $ 47,720 |
| Impaired loans not requiring a valuation allowance | **$ 22,826** | $ 40,627 | $ 36,197 |
| Valuation allowance related to impaired loans | **$ 11,756** | $ 6,815 | $ 17,449 |
| Average investment in impaired loans | **$ 81,218** | $ 75,784 | $ 71,654 |
| Interest income recognized on impaired loans | **$ 434** | $ 523 | $ 176 |
| Foregone interest income on impaired loans | **$ 2,099** | $ 6,253 | $ 2,923 |

**NOTE 7 OTHER REAL ESTATE OWNED**

The Company s OREO is comprised of $48.4 million of foreclosed assets and $2.5 million of bank owned real estate. The following is an inventory of foreclosed assets as of September 30, 2010:

| (Dollars in Thousands) | Number of Properties | Carrying Amount |
|---|---|---|
| Land Commercial | 17 | $ 5,517 |
| Land Residential | 24 | 5,077 |
| Finished residential lots | 92 | 5,647 |
| Subdivision | 6 | 5,260 |
| SFR properties | 56 | 9,519 |
| Commercial properties | 26 | 12,123 |
| Agricultural land | 9 | 5,287 |
| **Total Foreclosed Assets** | 230 | $ 48,430 |

Table of Contents

**NOTE 8 ASSETS ACQUIRED IN FDIC-ASSISTED ACQUISITIONS**

On May 14, 2010, Ameris Bank purchased substantially all of the assets and assumed substantially all the liabilities of Satilla Community Bank ( SCB ) from the Federal Deposit Insurance Corporation ( FDIC ), as Receiver of SCB. SCB operated only one branch in St. Marys, Georgia, the southernmost city on the Georgia coast and a northern suburb of Jacksonville, Florida. The Company s agreement with the FDIC included a loss-sharing agreement which affords Ameris Bank significant protection from losses associated with loans and OREO. Under the terms of the loss sharing agreements, the FDIC will absorb 80 percent of all losses and share 80 percent of all loss recoveries. The term for loss sharing on residential real estate loans is ten years, while the term for loss sharing on all other loans is five years.

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

| | Satilla Community Bank |
|---|---|
| Assets acquired: | |
| Cash and due from banks | $ 15,225 |
| Securities available for sale | 10,322 |
| Loans | 68,751 |
| Foreclosed property | 2,012 |
| Estimated FDIC indemnification asset | 22,400 |
| Other assets, including CDI | 1,289 |
| SCB assets acquired | 119,999 |
| less: cash paid to settle acquisition | (35,657) |
| Total assets acquired | $ 84,342 |
| Liabilities assumed | |
| Deposits | $ 75,795 |
| Accrued interest and other liabilities | 339 |
| Total liabilities assumed | 76,134 |
| Net assets acquired/gain from acquisition | $ 8,208 |

The Company s bid to acquire SCB included a discount on the book value of the assets totaling $14.4 million. Also included in the bid was a premium of approximately $92,000 on SCB s deposits. Because SCB s brokered deposits did not pass to Ameris Bank, the acquisition resulted in significantly more assets being purchased than liabilities assumed. As a result, Ameris Bank made a cash payment to the FDIC totaling $35.7 million to settle the transaction.

The loss-sharing agreement is subject to the servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss-sharing agreement were recorded as an indemnification asset at their estimated fair value of $22.4 million on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. The transaction resulted in a gain of $8.2 million, before tax, which is included in the Company s September 30, 2010 Consolidated Statement of Operations. Due to the difference in tax bases of the assets acquired and liabilities assumed, the Bank recorded a deferred tax liability of $3.0 million, resulting in an after-tax gain of $5.2 million.

The Company considers that the determination of the initial fair value of loans at the acquisition and the initial fair value of the related FDIC indemnification asset involves a high degree of judgment and complexity. The carrying value of the acquired loans and the FDIC indemnification asset reflect management s best estimate of the fair value of each of these assets as of the date of acquisition. However, the

amount that the Company realizes on these assets could differ materially from the carrying value reflected in these financial statements, based upon the timing and amount of collections on the acquired loans in future periods. In order to minimize the number and extent of variances, the Company has performed substantial valuation procedures supported by an outside party whose scope was to determine fair value. The Company has ordered appraisals on a substantial number of the problem loans where the loan appears to be collateral dependent and initial review of the appraisals received supports the Company s valuation

procedures and amounts. Because of the loss-sharing agreement with the FDIC on these assets, the Company should not incur any significant losses. To the extent the actual values realized for the acquired loans are different from the estimates the indemnification asset will generally be affected in an offsetting manner due to the loss sharing support from the FDIC.

In its assumption of the deposit liabilities in the acquisitions, Ameris Bancorp believed that the customer relationships associated with these deposits have intangible value. The Company determined the fair value of a core deposit intangible asset totaling approximately $185,000. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates, age of deposit relationships, and the maturities of time deposits. The gain resulting from the acquisition was reduced by the fair value of the core deposit intangible asset, thus reducing the carrying value of such asset to zero.

ASC 310 30, applies to a loan with evidence of deterioration of credit quality since origination, acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. ASC 310 30 prohibits carrying over or creating an allowance for loan losses upon initial recognition for loans which fall under the scope of this statement. On the acquisition date, the preliminary estimate of the contractually required payments receivable for all ASC 310 30 loans acquired in the acquisition were $51.5 million and the estimated fair value of the loans were $25.5 million, net of an accretable yield of $1.5 million, the difference between the value of the loans on our balance sheet and the cash flows they are expected to produce. These amounts were determined based upon the estimated remaining life of the underlying loans, which are greatly affected by the Company s workout strategy which involves accelerated efforts to improve the credit or dispose of the asset. At the acquisition dates, a majority of these loans were valued based on the liquidation value of the underlying collateral because the future cash flows are primarily based on the liquidation of underlying collateral. There was no allowance for credit losses established related to these ASC 310 30 loans at the acquisition dates, based on the provision of this statement.

The fair value of loans acquired in the SCB acquisition is detailed below based on their initial estimate of credit quality:

| | **Loans with deterioration of credit quality** | **Loans without a deterioration of credit quality** | **Total loans, at fair value** |
|---|---|---|---|
| Commercial, industrial, agricultural | $ 73 | $ 1,568 | $ 1,641 |
| Real estate residential | 9,264 | 11,991 | 21,255 |
| Real estate commercial & farmland | 7,158 | 21,169 | 28,327 |
| Construction & development | 8,976 | 7,824 | 16,800 |
| Consumer | | 728 | 728 |
| | $ 25,471 | $ 43,280 | $ 68,751 |

In addition to the covered assets acquired in the most recent acquisition, the Company has other investments in covered assets remaining from the earlier FDIC-assisted acquisitions completed in the fourth quarter of 2009. The following table summarizes components of all covered assets at September 30, 2010 and their origin:

Table of Contents

| (Dollars in Thousands) | American United Bank | United Security Bank | Satilla Community Bank | Covered Assets |
|---|---|---|---|---|
| Covered Loans | $ 57,559 | $ 80,835 | $ 84,540 | $ 222,934 |
| Less adjustments related to credit risk | (7,036) | (10,291) | (18,837) | (36,164) |
| Less adjustments related to liquidity and yield | (279) | (697) | (506) | (1,482) |
| Total Covered Loans | $ 50,244 | $ 69,847 | $ 65,197 | $ 185,288 |
| OREO | $ 11,691 | $ 12,542 | $ 6,413 | $ 30,646 |
| Less fair value adjustments | (783) | (74) | (1,373) | (2,230) |
| Covered OREO | $ 10,908 | $ 12,468 | $ 5,040 | $ 28,416 |
| Total Covered Assets | $ 61,152 | $ 82,315 | $ 70,237 | $ 213,704 |
| FDIC loss share receivable | $ 9,108 | $ 12,245 | $ 21,179 | $ 42,532 |

On the dates of acquisition, the Company estimated the future cash flows on each individual loan and made the necessary adjustments to reflect the asset at fair value. At each quarter end subsequent to the acquisition dates, the Company revises the estimates of future cash flows based on current information and makes the necessary adjustments to continue reflecting the assets at their fair value.

The adjustments to fair value are done on a loan-by-loan basis and have resulted in the following:

| (Dollars in Thousands) | Total amounts through September 30, 2010 | Amounts reflected in the Company s Statement of Operations |
|---|---|---|
| Adjustments needed where the Company s initial estimate of cash flows were underestimated: (recorded with a reclassification from non-accretable difference to accretable yield) | $ 21,334 | $ 3,563 |
| Adjustments needed where the Company s initial estimate of cash flows were overstated: (recorded through a provision for loan losses) | $ 5,102 | 1,020 |

A rollforward of acquired loans with deterioration of credit quality for the nine months ended September 30, 2010 is shown below:

| (Dollars in Thousands) | Acquired loans with deterioration of credit quality |
|---|---|
| Beginning Balance, December 31, 2009 | $ 56,793 |
| Change in estimate of cash flows, net of charge-offs or recoveries | (3,076) |
| Acquisition of SCB, May 14, 2010 | 25,471 |
| Other (loan payments, transfers, etc) | (12,740) |

| | | |
|---|---|---|
| Balance, September 30, 2010 | $ | 66,448 |

The following is a summary of changes in the accretable yields of acquired loans during the year to date period ending September 30, 2010:

| **(dollars in thousands)** | | **Accretable Yield 2010** |
|---|---|---|
| Balance, beginning of year | $ | 3,550 |
| Additions due to acquisitions | | 1,508 |
| Accretion | | (3,563) |
| Transfers from nonaccretable difference to accretable yield | | 4,263 |
| Balance, end of period | $ | 5,758 |

Table of Contents

**NOTE 9 WEIGHTED AVERAGE SHARES OUTSTANDING**

Due to the net loss reported for the quarter and year to date periods ending September 30, 2010 and 2009, the Company has excluded the effects of these common share equivalents would have been anti-dilutive. Earnings per share have been computed based on the following weighted average number of common shares outstanding:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | (share data in thousands) | | (share data in thousands) | |
| Basic shares outstanding | 23,571 | 13,630 | 19,569 | 13,630 |
| Plus: Dilutive effect of ISOs | | | | |
| Plus: Dilutive effect of Restricted Grants | | | | |
| Diluted shares outstanding | 23,571 | 13,630 | 19,569 | 13,630 |

**NOTE 10 OTHER BORROWINGS**

The Company has, from time to time, utilized certain borrowing arrangements with various financial institutions to fund growth in earning assets or provide additional liquidity when appropriate spreads can be realized. At September 30, 2010, there were no outstanding borrowings with the Company s correspondent banks, compared to $2.0 million at December 31, 2009 and $7.0 million at September 30, 2009. The Company s success with attracting and retaining retail deposits has allowed for very low dependence on more volatile non-deposit funding.

Table of Contents

**NOTE 11 COMMITMENTS**

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

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

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

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

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

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

| (Dollars in Thousands) | September 30, 2010 | September 30, 2009 | December 31, 2009 |
|---|---|---|---|
| Commitments to extend credit | $ 132,675 | $ 139,720 | $ 143,868 |
| Standby letters of credit | $ 7,223 | $ 3,808 | $ 3,921 |

Table of Contents

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

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

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

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

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

Table of Contents

| *(in thousands, except share data, taxable equivalent)* | **Third Quarter** | **Second Quarter** | **First Quarter** | **Fourth Quarter** | **Third Quarter** | **For Nine Months Ended 2010** | **2009** |
|---|---|---|---|---|---|---|---|
| **Results of Operations:** | | | | | | | |
| Net interest income | $ 22,000 | $ 23,859 | $ 20,413 | $ 19,701 | $ 18,812 | $ 66,271 | $ 54,320 |
| Net interest income (tax equivalent) | 22,220 | 24,588 | 20,644 | 19,939 | 18,998 | 67,452 | 54,779 |
| Provision for loan losses | 9,739 | 18,608 | 10,770 | 16,468 | 8,298 | 39,117 | 25,600 |
| Non-interest income | 5,010 | 13,049 | 4,885 | 43,739 | 4,521 | 22,945 | 14,613 |
| Non-interest expense | 18,928 | 23,383 | 16,931 | 75,982 | 15,360 | 59,242 | 48,816 |
| Net loss | (897) | (3,419) | (1,534) | (38,333) | (127) | (59,850) | (3,456) |
| Net loss avail to shareholders | (1,704) | (4,218) | (2,330) | (39,192) | (923) | (8,252) | (5,757) |
| **Selected Average Balances:** | | | | | | | |
| Loans, net of unearned income | $ 1,690,705 | $ 1,683,522 | $ 1,683,518 | $ 1,749,548 | $ 1,666,821 | $ 1,685,915 | $ 1,674,015 |
| Investment securities | 235,057 | 245,182 | 245,895 | 254,648 | 255,164 | 242,044 | 292,823 |
| Earning assets | 2,184,676 | 2,223,743 | 2,133,864 | 2,162,412 | 2,064,253 | 2,180,760 | 2,111,049 |
| Assets | 2,429,709 | 2,444,425 | 2,377,348 | 2,374,352 | 2,244,527 | 2,417,160 | 2,279,666 |
| Deposits | 2,088,997 | 2,111,612 | 2,101,780 | 2,043,151 | 1,931,990 | 2,100,796 | 1,969,360 |
| Shareholders equity | 274,631 | 266,279 | 194,187 | 256,741 | 237,805 | 244,950 | 205,035 |
| **Period-End Balances:** | | | | | | | |
| Loans, net | $ 1,614,048 | $ 1,651,204 | $ 1,626,737 | $ 1,685,845 | $ 1,610,743 | $ 1,614,048 | $ 1,610,743 |
| Earning assets | 2,199,928 | 2,171,262 | 2,270,427 | 2,188,622 | 2,024,442 | 2,199,928 | 2,024,442 |
| Total assets | 2,434,703 | 2,421,910 | 2,351,658 | 2,423,971 | 2,207,475 | 2,434,703 | 2,207,475 |
| Total deposits | 2,099,002, | 2,080,026 | 2,088,306 | 2,123,116 | 1,887,529 | 2,099,002 | 1,887,529 |
| Shareholders equity | 273,968 | 274,870 | 193,361 | 194,964 | 233,016 | 273,968 | 233,016 |
| **Per Common Share Data:** | | | | | | | |
| Basic earnings per share | $ (0.07) | $ (0.20) | $ (0.17) | $ (2.84) | $ (0.06) | $ (0.42) | $ (0.41) |
| Diluted earnings per share | (0.07) | (0.20) | (0.17) | (2.84) | (0.06) | (0.42) | (0.41) |
| Book value per share | 9.48 | 9.57 | 10.23 | 10.51 | 13.52 | 9.48 | 13.52 |
| End of period shares outstanding | 23,625,065 | 23,627,005 | 14,151,187 | 14,044,907 | 14,004,897 | 23,625,065 | 14,004,897 |
| Weighted average shares outstanding | | | | | | | |
| Basic | 23,570,929 | 21,231,367 | 13,906,137 | 13,912,458 | 13,906,299 | 19,569,478 | 13,945,216 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Diluted | 23,570,929 | 21,231,367 | 13,906,137 | 13,912,458 | 13,906,299 | 19,569,478 | 13,945,216 |
| **Market Price:** | | | | | | | |
| High Closing Price | 10.49 | 11.55 | 10.32 | 7.25 | 7.47 | 11.55 | 11.73 |
| Low Closing Price | 7.83 | 9.00 | 7.36 | 5.13 | 5.93 | 7.36 | 3.66 |
| Closing Price for Quarter | 9.35 | 9.66 | 9.03 | 7.16 | 7.15 | 9.35 | 7.15 |
| Trading volume (avg daily) | 75,573 | 205,389 | 37,715 | 38,583 | 30,407 | 106,881 | 29,835 |
| **Performance Ratios:** | | | | | | | |
| Return on average assets | (0.28%) | (0.69%) | (0.26%) | (6.54%) | (0.14%) | (0.45%) | (0.32%) |
| Return on average equity | (2.46%) | (6.34%) | (4.33%) | (75.56%) | (1.68%) | (4.02%) | (3.55%) |
| Net interest margin (t/e) | 4.04% | 4.43% | 3.92% | 3.66% | 3.65% | 4.04% | 3.47% |
| Equity/Assets (average) | 11.25% | 10.99% | 8.16% | 10.81% | 10.59% | 11.25% | 10.56% |
| Efficiency ratio | 70.08% | 63.35% | 66.93% | 119.77% | 65.83% | 66.40% | 70.82% |

**Overview**

The following is management s discussion and analysis of certain significant factors which have affected the financial condition and results of operations of the Company as reflected in the unaudited consolidated balance sheet as of September 30, 2010 as compared to December 31, 2009 and operating results for the three and nine month periods ended September 30, 2010 and 2009. These comments should be read in conjunction with the Company s unaudited consolidated financial statements and accompanying notes appearing elsewhere herein.

**Results of Operations for the Three Months Ended September 30, 2010**

***Consolidated Earnings and Profitability***

Ameris reported a net loss available to common shareholders of $1.7 million, or $0.07 per diluted share, for the quarter ended September 30, 2010, compared to a net loss for the same quarter in 2009 of $0.8 million, or $0.07 per diluted share. The Company s return on average assets and average shareholders equity in the third quarter of 2010 were (0.28%) and (3.01%), respectively, compared to (0.14%) and (1.68%) in the third quarter of 2009. Increases in the Company s pre-tax, pre-provision earnings have been sufficient to mostly offset increases in the provision for loan losses.

***Net Interest Income and Margins***

On a tax equivalent basis, net interest income for the third quarter of 2010 was $22.2 million, an increase of $3.2 compared to the same quarter in 2009. Significant increases in the Company s net interest margin have been the result of flat yields on all classes of earning assets complemented by steady decreases in the Company s cost of funds. The Company s net interest margin increased as well in the current quarter, to 4.04% compared to 3.65% in the third quarter of 2009. Increases in earning assets over the past year have been in covered loans with favorable yields compared to the Company s low cost of funds.

During the third quarter of 2010, interest income, on a tax equivalent basis, totaled $29.4 million compared to $28.2 million in the same quarter of 2009. Yields on earning assets fell to 5.34% compared to 5.42% reported in the third quarter of 2009. Yields on the Company s uncovered loan portfolio have decreased slightly over the past year, due in part to higher levels of non-performing loans, while covered loans averaged $187.6 million in the third quarter with a yield of 9.46%. Yields on earning assets have also been held lower by higher levels of short-term assets at historically low rates. Current opportunities to invest a portion of the short-term assets in the bond market have been limited by the Company s inability to maintain certain portfolio characteristics with current yields and structures being offered. Efforts to increase lending activities have been slow to generate increases in outstanding loans due to the current economic conditions in the Company s markets. Management anticipates continued participation in FDIC-assisted acquisitions as well as improving economic conditions and increased loan demand which will provide opportunities to invest a portion of the short-term assets at higher yields.

Total interest expense declined significantly, to $7.2 million in the third quarter of 2010 compared to $9.2 million in the third quarter of 2009. Local customer deposits in the third quarter of 2010 comprised 91.4% of total funding compared to 90.7% of total funding in the same quarter in 2009. Lower costs on deposits were realized across all classes due mostly to the lower rate environment and the Company s ability to be less competitive on higher priced CDs due to its larger than normal position in short-term assets. Further opportunity to realize savings on deposits exists but may be limited due to current costs. Average balances of interest bearing deposits and their respective costs for the third quarter of 2010 and 2009 are shown below:

| (Dollars in Thousands) | September 30, 2010 | | September 30, 2009 | |
|---|---|---|---|---|
| | Average Balance | Average Cost | Average Balance | Average Cost |
| NOW | $ 478,105 | 0.90% | $ 493,253 | 1.15% |
| MMDA | 448,955 | 1.31% | 384,266 | 1.56% |
| Savings | 64,575 | 0.47% | 57,532 | 0.70% |
| Retail CDs < $100,000 | 367,353 | 1.72% | 341,495 | 2.52% |
| Retail CDs > $100,000 | 375,756 | 1.80% | 331,763 | 2.76% |
| Brokered CDs | 128,346 | 3.11% | 116,186 | 3.99% |

| | | | | |
|---|---|---|---|---|
| **Interest bearing deposits** | $ 1,863,090 | 1.47% | $ 1,066,939 | 2.00% |

***Provision for Loan Losses and Credit Quality***

The Company s provision for loan losses during the third quarter of 2010 amounted to $9.7 million compared to $8.3 million in the same quarter in 2009. Although the Company has experienced improving trends in criticized and classified assets for several quarters, higher levels of provision for loan losses have been required to account for continued devaluation of real estate collateral. At September 30, 2010, classified loans still accruing totaled $30.7 million compared to $64.8 million at September 30, 2009. Non-performing loans at the end of the third quarter of 2010 totaled $89.2 million, a slight increase from $83.3 million reported at the end of the third quarter of 2009 but 9.8% lower than the peak level recorded in January, 2010.

At September 30, 2010, other real estate owned (excluding covered OREO) totaled $50.9 million, compared to $21.9 million at the end of the same quarter in 2009. Management regularly assesses the valuation of OREO through periodic reappraisal and through inquiries received in the marketing process. The Company has found that with a marketing window of 3-6 months, the liquidation of properties vary from 85% to 100% of current book value. Certain properties, mostly raw land and subdivision lots, have extended marketing periods because of excessive inventory and record low home building activity. These properties total $26.8 million or 55% of total OREO, and while the Company is actively marketing these properties, management is not anticipating significant reductions in these balances until current economic trends are reversed.

At the end of the second quarter of 2010, the Company entered into an agreement to sell certain OREO and non-performing loans in three pools to a single investor group. Transactions for two of the three pools closed during the third quarter of 2010, resulting in a reduction of non-performing loans of $3.7 million. The third pool did not close as anticipated, leaving $9.6 million of non-performing loans and OREO marked at significant discounts. The Company has begun remarketing these assets for sale and has entered into several sales contracts at prices higher than those agreed upon in the initial bulk sale.

Net charge-offs on loans during the third quarter of 2010 were $9.1 million or 2.14% of loans on an annualized basis, compared to $11.4 million or 2.7% of loans in the third quarter of 2009. The Company s allowance for loan losses at September 30, 2010 was $34.1 million, or 2.34% of total loans, compared to $41.9 million, or 2.54% of total loans, at September 30, 2009.

***Non-interest Income***

Total non-interest income for the third quarter of 2010 increased to $5.0 million from $4.5 million in the third quarter of 2009. Service charges on deposit accounts in the third quarter of 2010 were $3.8 million, compared to $3.5 million in the third quarter of 2009. Increases in service charges related to the recently acquired deposits in FDIC-assisted transactions, along with increased retention of fees related to insufficient funds.

***Non-interest Expense***

Total non-interest expenses for the third quarter of 2010 increased to $18.9 million, compared to $15.4 million in the same quarter in 2009. Salaries and benefits in the quarter ending September 30, 2010 increased 1.7% from the prior year period to $7.6 million. In the third quarter of 2009, the Company reversed $0.8 million of previously accrued retirement expense after the board of directors voted to suspend further contributions until the Company returned to profitability. Credit related expenses, including problem loan and OREO expense and OREO write-downs and losses, increased to $3.2 million in the third quarter of 2010 compared to $1.0 million in the third quarter of 2009. The higher level of credit related expenses was necessary to continue aggressively dealing with non-performing assets and to quickly restore improved credit quality.

***Income taxes***

Federal income tax expense is influenced by the amount of taxable income, the amount of tax-exempt income and the amount of non-deductible expenses. For the third quarter of 2010, the Company reported an income tax benefit of $760,000. This compares to an income tax benefit of $198,000 in the same period of 2009. The Company s effective tax rate for the nine months ending September 30, 2010 and 2009 was 45.9% and 60.9%, respectively.

**Results of Operations for the Nine Months Ended September 30, 2010**

***Interest Income***

Interest income for the nine months ended September 30, 2010 was $89.4 million on a tax equivalent basis, an increase of $2.2 million when compared to $87.2 million for the same period in 2009. Average earning assets for the nine month period increased $69.7 million to $2.18 billion as of September 30, 2010 compared to $2.11 billion as of September 30, 2009. Yield on average earning assets declined only slightly to 5.48% in the first nine months of 2010 compared to 5.53% in the nine months of 2009. Earning assets acquired in connection with the Company s FDIC assisted acquisitions have allowed the Company to maintain rather level amounts of earning assets while interest rate floors on individual customer loans have allowed the Company to keep the yield on loans from falling precipitously in the current rate environment. Additionally, yields on the acquired assets have been much stronger than the Company s other earning assets, helping boost the Company s overall yield on earning assets.

***Interest Expense***

Total interest expense for the nine months ended September 30, 2010 amounted to $21.3 million, reflecting a decrease of $9.6 million from the same period of 2009. During the nine month period ended September 30, 2010, the Company s funding costs declined to 1.36% from 2.12% reported in the previous year. The majority of the decline in interest expense and costs relates to improvements in the cost of the Company s time deposits which fell to 2.02% in the nine month period ending September 30, 2010 compared to 3.26% in the same period in 2009. In addition to lower costs on deposits, the Company s mix of deposits has improved over the past year. During the first nine months of 2010, only 41.7% of the Company s deposits were time deposits compared to 47.3% of the Company s deposits in the first nine months of 2009.

***Net Interest Income***

Higher levels of earning assets with generally level yields have combined with reduced funding costs to have resulted in material improvements in net interest income. For the year to date period ending September 30, 2010, the Company reported $67.5 million of net interest income on a tax equivalent basis, compared to $54.8 million of net interest income for the same period in 2009. The Company s net interest margin increased to 4.14% in the nine month period ending September 30, 2010 compared to 3.47% in the same period in 2009.

***Provision for Loan Losses***

The provision for loan losses rose to $39.1 million for the nine months ended September 30, 2010 compared to $25.6 million in the same period in 2009. Non-performing assets totaled $138.1 million at September 30, 2010, compared to $117.7 million at September 30, 2009. For the nine month period ended September 30, 2010, Ameris had net charge-offs totaling $39.8 million compared to $23.3 million for the same period in 2009.

***Non-interest Income***

Non-interest income for the first nine months of 2010 increased to $22.9 million compared to $14.6 million in the same period in 2009. Excluding non-recurring gains on investment securities and an FDIC-assisted acquisition, the Company s non-interest income totaled $14.5 million, an increase of 5.2% compared to the same period in 2009. Service charges on deposit accounts increased approximately $0.9 million to $10.8 million in the first nine months of 2010 compared to the same period in 2009. The increases in service charges are related to higher numbers of deposit accounts subject to fees and charges as well as incremental revenue from the deposit accounts acquired in the Company s FDIC-assisted acquisitions. Income from mortgage banking activity declined from $2.3 million in the first nine months of 2009 to $1.9 million in the first half of 2010. The Company s reduction in force announced in the first quarter of 2010 included several mortgage producers and additional support staff which has caused a reduction in mortgage revenue. Although mortgage revenue has decreased $0.4 million, expenses associated with mortgage banking activities have declined $0.8 million causing higher levels of profitability in 2010 than in 2009.

***Non-interest Expense***

Total operating expenses for the first nine months of 2010 increased to $59.2 million compared to $48.8 million in the same period in 2009. The majority of the increase in operating expenses relates to higher levels of credit related expenses (problem loan and OREO expenses, losses and write-downs on OREO) associated with higher levels of non-performing assets. During the nine month period ending September 30, 2010, the Company s credit related costs totaled $13.6 million compared to $5.7 million in the nine month period ending September 30, 2009. Salaries and benefits were $0.1 million higher in the first nine months of 2010 at approximately $23.4 million when compared to the same period in 2009. Data processing and operating expenses increased from $5.1 million in the first nine months of 2009 to $5.6 million in the first nine months of 2010. Data processing costs in 2010 includes approximately $0.5 million to convert the operations of the acquired banks as well as incremental service fees related to the acquired accounts.

***Income tax benefit***

In the first nine months of 2010, the Company recorded an income tax benefit totaling approximately $3.3 million, representing an effective tax rate of 36.0%. This compares to a benefit of $2.0 million in the first nine months of 2009 representing an effective rate of 37.0%.

**Financial Condition as of September 30, 2010**

**Securities**

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

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

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

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Substantially all of the unrealized losses on debt securities are related to changes in interest rates and do not affect the expected cash flows of the issuer or underlying collateral. All unrealized losses are considered temporary because each security carries an acceptable investment grade and the Company has the intent and ability to hold to maturity. Therefore, at September 30, 2010, these investments are not considered impaired on an other-than temporary basis.

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

| | Book Value | Fair Value | Yield | Modified Duration | Estimated Cash Flows 12 months |
|---|---|---|---|---|---|
| | | | Dollars in Thousands | | |
| September 30, 2010: | | | | | |
| U.S. government agencies | $ 15,358 | $ 16,281 | 4.15% | 3.07 | $ 7,250 |
| State and municipal securities | 46,600 | 48,772 | 4.96% | 5.75 | 2,487 |
| Corporate debt securities | 12,522 | 9,853 | 6.69% | 7.15 | 0 |
| Mortgage-backed securities | 153,545 | 160,921 | 4.54% | 2.34 | 43,637 |
| Total debt securities | $ 228,025 | $ 235,827 | 4.72% | 3.35 | $ 53,374 |
| September 30, 2009: | | | | | |
| U.S. government agencies | $ 40,115 | $ 40,709 | 4.10% | 1.39 | $ 27,355 |
| State and municipal securities | 39,381 | 40,728 | 5.01% | 5.32 | 3,543 |
| Corporate debt securities | 12,181 | 8,901 | 6.48% | 7.39 | 0 |
| Mortgage-backed securities | 153,524 | 160,851 | 5.07% | 2.91 | 28,393 |
| Total debt securities | $ 245,201 | $ 251,189 | 4.96% | 3.27 | $ 59,291 |

**Loans and Allowance for Loan Losses**

At September 30, 2010, gross loans outstanding (including covered loans) were essentially unchanged at $1.65 billion when compared to balances reported at the same time in 2009. When compared to the period ended December 31, 2009, gross loans declined approximately $73.5

million, or 4.3%. The Company s continued participation in FDIC-assisted acquisitions is integral to being able to maintain a certain level of loans because management does not believe that enough loan opportunities with acceptable quality and profitability exist in our current market areas to cause loan footings to stabilize and increase. Decreases in uncovered loans over the past year reflect this trend, decreasing 11.5% from $1.65 billion at September 30, 2009 to $1.46 billion at September 30, 2010.

**Table of Contents**

The decline in loans also reflects management s focus on reducing higher risk loans within the Bank s loan portfolio as well as the slower economic environment that persisted throughout 2009 and the first nine months of 2010. The Company regularly monitors the composition of the loan portfolio to evaluate the adequacy of the allowance for loan losses in light of the impact that changes in the economic environment may have on the loan portfolio.

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

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

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

Table of Contents

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

For the nine month period ended September 30, 2010, the Company recorded net charge-offs totaling $39.8 million compared to $23.3 million for the period ended September 30, 2009. The provision for loan losses for the nine months ended September 30, 2010 increased to $38.1 million compared to $25.6 million during the nine month period ended September 30, 2009. At the end of the third quarter of 2010, the allowance for loan losses totaled $34.1 million, or 2.34% of total loans, compared to $35.8 million, or 2.26% of total loans at December 31, 2009 and $41.9 million or 2.54% of total loans, at September 30, 2009.

The following table presents an analysis of the allowance for loan losses for the nine months ended September 30, 2010 and 2009:

| **(Dollars in Thousands)** | **September 30, 2010** | **September 30, 2009** |
|---|---|---|
| **Balance of allowance for loan losses at beginning of period** | **$ 35,762** | $ 39,652 |
| Provision charged to operating expense | 38,097 | 25,600 |
| Charge-offs: | | |
| Commercial, financial and agricultural | 3,577 | 2,805 |
| Real estate residential | 8,763 | 6,948 |
| Real estate commercial and farmland | 13,734 | 1,661 |
| Real estate construction and development | 15,335 | 12,532 |
| Consumer installment | 701 | 670 |
| Other | | |
| **Total charge-offs** | **42,110** | 24,616 |
| Recoveries: | | |
| Commercial, financial and agricultural | 549 | 162 |
| Real estate residential | 166 | 452 |
| Real estate commercial and farmland | 658 | 246 |
| Real estate construction and development | 662 | 332 |
| Consumer installment | 288 | 118 |
| Other | | |
| **Total recoveries** | 2,323 | 1,310 |
| Net charge-offs | 39,787 | 23,306 |
| **Balance of allowance for loan losses at end of period** | $ 34,072 | $ 41,946 |
| Net annualized charge-offs as a percentage of average loans | 3.16% | 1.86% |
| Allowance for loan losses as a percentage of loans at end of period | 2.34% | 2.54% |

**Covered Assets**

Total covered assets increased during the third quarter of 2010 to $213.7 million, compared to $146.6 million at December 31, 2009. Covered loans increased to $185.3 million at the end of the third quarter as a result of the acquisition of SCB on May 14, 2010.

At the end of the third quarter of 2010, the Company had acquired three banks in FDIC-assisted acquisitions since October, 2009. Collection activity has accelerated in the most recent quarter, causing an increase in loans moving from active loan status to OREO. The Company expects a continued pace of resolution for several additional quarters.

At the end of the third quarter of 2010, the Company had a receivable from the FDIC totaling approximately $42.5 million, representing the portion of losses and expenses for which the Company could expect reimbursement under the loss-share agreements. The Company has experienced $25.0 million of losses and related collection expenses through September 30, 2010. The Company has submitted timely certificates for repayment covering 80% of the losses and expenses to the FDIC.

**Non-Performing Assets**

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

As of September 30, 2010, nonaccrual or impaired loans totaled $89.7 million, a decrease of approximately $6.4 million since December 31, 2009. The decrease in nonaccrual loans is due to success in the foreclosure and resolution process as well as a significant slowdown in the formation of new problem credits. Non-performing assets as a percentage of total assets were 5.67%, 4.85% and 4.79% at September 30, 2010, December 31, 2009 and September 30, 2009, respectively.

Non-performing assets at September 30, 2010, December 31, 2009 and September 30, 2009 were as follows:

| (Dollars in Thousands) | September 30, 2010 | December 31, 2009 | September 30, 2009 |
|---|---|---|---|
| Total nonaccrual loans | $ 89,682 | $ 96,131 | $ 83,917 |
| Accruing loans delinquent 90 days or more | | | |
| Other real estate owned and repossessed collateral | 48,430 | 21,551 | 21,923 |
| Total non-performing assets | $ 138,112 | $ 117,682 | $ 105,840 |

**Other Real Estate Owned**

For the nine months ended September 30, 2010, the Company sold 179 foreclosed assets for an aggregate total of $24.2 million. During the same period, the Company foreclosed on 270 properties with an aggregate estimated value of $49.9 million. For the year to date period ended September 30, 2010, approximately 50% of the newly foreclosed properties were construction and development properties, 25% were residential properties and 25% were commercial real estate properties.

**Commercial Lending Practices**

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

The CRE guidance is applicable when either:

(1) total loans for construction, land development, and other land, net of owner occupied loans, represent 100% or more of a bank s total risk-based capital; or

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

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

As of September 30, 2010, the Company exhibited a concentration in CRE loan category based on Federal Reserve Call codes. The primary risks of CRE lending are:

(1) within CRE loans, construction and development loans are somewhat dependent upon continued strength in demand for residential real estate, which is reliant on favorable real estate mortgage rates and changing population demographics;

(2) on average, CRE loan sizes are generally larger than non-CRE loan types; and

(3) certain construction and development loans may be less predictable and more difficult to evaluate and monitor.

The following table outlines CRE loan categories and CRE loans as a percentage of total loans as of September 30, 2010 and December 31, 2009. The loan categories and concentrations below are based on Federal Reserve Call codes and include covered loans.

| **(Dollars in Thousands)** | **September 30, 2010** | | **December 31, 2009** | |
|---|---|---|---|---|
| | **Balance** | **% of Total Loans** | **Balance** | **% of Total Loans** |
| Construction and development loans | $ 206,627 | 13% | $ 259,412 | 15% |
| Multi-family loans | 46,689 | 3% | 49,158 | 3% |
| Nonfarm non-residential loans | 644,328 | 39% | 758,369 | 44% |
| **Total CRE Loans** | $ 897,644 | 55% | $ 1,066,939 | 62% |
| All other loan types | 750,476 | 45% | 646,717 | 38% |

| | | | | |
|---|---|---|---|---|
| **Total Loans** | $ 1,648,120 | 100% | $ 1,713,656 | 100% |

The following table outlines the percent of total CRE loans, net owner occupied loans to total risk-based capital, and the Company s internal concentration limits as of September 30, 2010 and December 31, 2009.

| | **Internal Limit** | **September 30, 2010 Actual** | **December 31, 2009 Actual** |
|---|---|---|---|
| Construction and development | 100% | 65% | 181% |
| Commercial real estate | 300% | 283% | 358% |

**Short-Term Investments**

The Company s short-term investments are comprised of federal funds sold and interest bearing balances. At September 30, 2010, the Company s short-term investments were $306.9 million, compared to $220.4 million and $114.3 million at December 31, 2009 and September 30, 2009, respectively. At September 30, 2010, approximately 87.4% of the balance was comprised of interest bearing balances at the FHLB.

Table of Contents

**Derivative Instruments and Hedging Activities**

As of September 30, 2010, the Company had one cash flow hedge with a notional amount totaling $35.0 million. The cash flow hedge is an interest rate floor with a total fair value of approximately $1.2 million and $1.9 million as of September 30, 2010 and December 31, 2009, respectively. The interest rate floor matures on August 15, 2011.

**Capital**

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

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

a) The Leverage Ratio is defined as Tier 1 capital to average assets. To be considered adequately capitalized under this measurement, a bank must maintain a leverage ratio greater than or equal to 4.00%. For a bank to be considered well capitalized a bank must maintain a leverage ratio greater than or equal to 5.00%.

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

c) The Total Capital Ratio is defined as total capital to total risk weighted assets. To be considered adequately capitalized under this measurement, a bank must maintain a total capital ratio greater than or equal to 8.00%. For a bank to be considered well capitalized a bank must maintain a total capital ratio greater than or equal to 10.00%.

As of September 30, 2010, under the regulatory capital standards, the Bank was considered well capitalized under all capital measurements. The following table sets forth the Bank s ratios at September 30, 2010, December 31, 2009 and September 30, 2009.

| | September 30, 2010 | December 31, 2009 | September 30, 2009 |
|---|---|---|---|
| **Leverage Ratio** (tier 1 capital to average assets) | 12.01% | 9.61% | 8.69% |
| **Core Capital Ratio** (tier 1 capital to risk weighted assets) | 17.75% | 13.27% | 11.28% |
| **Total Capital Ratio** (total capital to risk weighted assets) | 19.01% | 14.53% | 12.51% |

**Recent Developments**

On November 21, 2008, the Company, elected to participate in the Capital Purchase Program ( CPP ) established under the Emergency Economic Stabilization Act of 2008 ( EESA ). Accordingly, on such date, the Company issued and sold to the United States Treasury ( Treasury ), for an aggregate cash purchase price of $52 million, (i) 52,000 shares (the Preferred Shares ) of the Company s fixed rate Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of $1,000 per share, and (ii) a ten-year warrant (the Warrant ) to purchase up to 679,443 shares of the Common Stock at an exercise price of $11.48 per share. The issuance and sale of these securities was a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

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

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

**Interest Rate Sensitivity and Liquidity**

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

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

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

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

Liquidity management involves the matching of the cash flow requirements of customers, who may be either depositors desiring to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs, and the ability of Ameris to manage those requirements. The Company strives to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets

and interest-bearing liabilities so that the balance it has in short-term investments at any given time will adequately cover any reasonably anticipated immediate need for funds. Additionally, the Bank maintains relationships with correspondent banks, which could provide funds on short notice, if needed. The Company has invested in FHLB stock for the purpose of establishing credit lines with the FHLB. The credit availability to the Bank is equal to 20% of the Bank s total assets as reported on the most recent quarterly financial information submitted to the regulators subject to the pledging of sufficient collateral. At September 30, 2010, there were no advances outstanding on any of the Company s lines of credit.

Table of Contents

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

| | September 30, 2010 | June 30, 2010 | March 31, 2010 | December 31, 2009 | September 30, 2009 |
|---|---|---|---|---|---|
| Investment securities available for sale to total deposits | 11.24% | 11.44% | 11.88% | 11.57% | 13.31% |
| Loans (net of unearned income) to total deposits | 78.52% | 81.04% | 79.50% | 81.09% | 87.56% |
| Interest-earning assets to total assets | 90.36% | 89.65% | 90.00% | 90.55% | 91.63% |
| Interest-bearing deposits to total deposits | 88.77% | 89.52% | 89.35% | 88.84% | 89.10% |

The liquidity resources of the Company are monitored continuously by the ALCO Committee and on a periodic basis by state and federal regulatory authorities. As determined under guidelines established by these regulatory authorities, the Company s and the Bank s liquidity ratios at September 30, 2010 were considered satisfactory. The Company is aware of no events or trends likely to result in a material change in liquidity.

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

The Company is exposed only to U.S. dollar interest rate changes, and, accordingly, the Company manages exposure by considering the possible changes in the net interest margin. The Company does not have any trading instruments nor does it classify any portion of the investment portfolio as held for trading. The Company s hedging activities are limited to cash flow hedges and are part of the Company s program to manage interest rate sensitivity. At September 30, 2010, the Company had one effective interest rate floor with a notional amount totaling $35 million. The floor is hedging specific cash flows associated with variable rate loans, has a strike rate of 7.00% and matures August 2011. Additionally, the Company has no exposure to foreign currency exchange rate risk, commodity price risk and other market risks.

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

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

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

**Item 4. Controls and Procedures.**

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

During the quarter ended September 30, 2010, there were no changes in the Company s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

## PART II - OTHER INFORMATION

**Item 1. Legal Proceedings.**

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

**Item 1A. Risk Factors.**

There have been no material changes to the risk factors disclosed in Item 1A. of Part 1 in our Annual Report on Form 10-K for the year ended December 31, 2009.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. (Removed and Reserved).**

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

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

Table of Contents

## SIGNATURE

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

Date: November 8, 2010

**AMERIS BANCORP**

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

Chief Financial Officer (duly authorized signatory

and principal accounting and financial officer)

36

Table of Contents

**EXHIBIT INDEX**

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