

Ameris Bancorp  
Form 10-Q  
November 09, 2007  
10-Q form10q0907.htm AMERIS BANCORP 10-Q 09-30-07

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

(Mark One)

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

For the quarterly period ended **September 30, 2007**

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**  
(State of incorporation)

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

**24 SECOND AVE., SE MOULTRIE, GA 31768**  
(Address of principal executive offices)

**(229) 890-1111**  
(Registrant's telephone number)

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

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

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Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

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

**There were 13,539,120 shares of Common Stock outstanding as of November 5, 2007.**

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**AMERIS BANCORP AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in thousands)

	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
<b>Assets</b>			
Cash and due from banks	\$ 58,281	\$ 66,856	\$ 54,093
Federal funds sold & interest bearing deposits in banks	22,910	135,232	148,118
Securities available for sale, at fair value	301,977	283,192	266,546
Loans	1,593,014	1,442,951	1,373,071
Less: allowance for loan losses	26,434	24,863	23,905
Loans, Net	1,566,580	1,418,088	1,349,166
Premises and equipment, net	54,639	46,604	42,266
Intangible assets, net	5,126	6,099	5,640
Goodwill	54,675	54,365	42,933
Other assets	38,951	37,106	37,142
Total assets	\$ 2,103,139	\$ 2,047,542	\$ 1,945,904
<b>Liabilities and Stockholders' Equity</b>			
Deposits:			
Noninterest-bearing demand	\$ 192,707	\$ 221,592	\$ 226,939
Interest-bearing demand	586,891	545,564	517,300
Savings	57,080	63,255	66,645
Time deposits	871,177	879,752	830,082
Total deposits	1,707,855	1,710,163	1,640,966
Federal funds purchased & securities sold under agreements to repurchase	32,359	15,933	6,725
Other borrowings	116,500	75,500	76,287
Other liabilities	15,560	24,945	19,217
Subordinated deferrable interest debentures	42,269	42,269	42,269
Total liabilities	1,914,543	1,868,810	1,785,464
<b>Stockholders' Equity</b>			
Common stock, par value \$1; 30,000,000 shares authorized; 14,869,134, 14,850,237 and 14,355,910 shares issued	14,869	14,850	14,356
Capital surplus	82,308	81,481	67,728
Retained earnings	103,805	95,523	91,589
Accumulated other comprehensive losses	(1,617)	(2,529)	(2,640)
	199,365	189,325	171,033
	(10,769)	(10,593)	(10,593)

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Treasury stock, at cost, 1,329,939, 1,322,717 and 1,322,717 shares			
Total stockholders' equity	<b>188,596</b>	178,732	160,440
Total liabilities and stockholders' equity	<b>\$ 2,103,139</b>	\$ 2,047,542	\$ 1,945,904

See notes to unaudited consolidated financial statements.

**AMERIS BANCORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(dollars in thousands, except per share data)  
(Unaudited)

	Three Months Ended September 30, 2007		Nine Months Ended September 30, 2007	
	2006		2006	
<b>Interest income</b>				
Interest and fees on loans	\$ 33,479	\$ 28,553	\$ 95,811	\$ 78,384
Interest on taxable securities	3,480	2,986	10,252	8,678
Interest on nontaxable securities	175	156	530	381
Interest on deposits in other banks	317	899	2,017	1,956
Interest on federal funds sold	-	30	92	188
Total Interest Income	37,451	32,624	108,702	89,587
<b>Interest expense</b>				
Interest on deposits	15,877	12,600	46,621	31,207
Interest on federal funds purchased & securities sold under agreements to repurchase	43	37	137	118
Interest on other borrowings	2,450	2,090	6,115	6,300
Total Interest Expense	18,370	14,727	52,873	37,625
Net interest income	19,081	17,897	55,829	51,962
<b>Provision for loan losses</b>	<b>2,964</b>	<b>713</b>	<b>4,407</b>	<b>2,124</b>
Net interest income after provision for loan losses	16,117	17,184	51,422	49,838
<b>Other income</b>				
Service charges on deposit accounts	3,197	2,978	9,133	8,535
Mortgage banking activities	783	547	2,265	1,495
Other	680	1,730	2,422	2,960
Gain (loss) on sale of securities	(69)	(3)	(61)	(308)
Total Other Income	4,591	5,252	13,759	12,682
<b>Other expense</b>				
Salaries and employee benefits	7,438	7,131	22,662	19,797
Equipment and occupancy expense	1,757	1,658	5,151	4,555
Amortization of intangible assets	324	344	973	785
Other operating expenses	5,650	4,348	14,607	12,723
Total Other Expense	15,169	13,481	43,394	37,860
Income before income taxes	5,539	8,955	21,787	24,660
Applicable income taxes	1,969	3,001	7,820	8,291
<b>Net income</b>	<b>\$ 3,570</b>	<b>\$ 5,954</b>	<b>\$ 13,967</b>	<b>\$ 16,369</b>

**Other comprehensive income, net of tax:**

Unrealized holding losses arising during period, net of tax	<b>2,568</b>	3,033	<b>871</b>	(218)
Reclassification for losses included in net income, net of tax	46	2	41	203
	<b>\$ 6,184</b>	<b>\$ 8,989</b>	<b>\$ 14,879</b>	<b>\$ 16,354</b>

Income per common share-Basic	<b>\$ 0.26</b>	\$ 0.46	<b>\$ 1.04</b>	\$ 1.26
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Income per common share-Diluted	<b>\$ 0.26</b>	\$ 0.45	<b>\$ 1.02</b>	\$ 1.24
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Dividends declared per share	<b>\$ 0.14</b>	\$ 0.14	<b>\$ 0.42</b>	\$ 0.42
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See notes to unaudited consolidated financial statements.

**AMERIS BANCORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**  
(dollars in thousands)  
(Unaudited)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 13,967	\$ 16,369
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,299	2,129
Provision for loan losses	4,407	2,125
Amortization of intangible assets	973	561
Decrease in accrued expense	(2,295)	(4,472)
Other prepaids, deferrals and accruals, net	(4,809)	5,688
Net cash provided by operating activities	14,542	22,400
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net decrease/(increase) in federal funds sold & interest bearing deposits	112,322	(119,191)
Proceeds from maturities of securities available for sale	24,379	26,444
Purchase of securities available for sale	(52,273)	(73,819)
Proceeds from sales of securities available for sale	10,153	15,963
Net increase in loans	(151,623)	(186,984)
Purchases of premises and equipment	(10,334)	(4,789)
Net cash used in investing activities	(67,376)	(342,376)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase/(decrease) in deposits	(2,309)	265,734
Net decrease/(increase) in federal funds purchased & securities sold under agreements to repurchase	16,426	(3,582)
Increase/(decrease) in other borrowings	41,000	(28,188)
Dividends declared	(5,685)	(5,464)
Purchase of treasury shares	(176)	(112)
Decrease in unfunded obligation on Islands acquisition	(5,120)	-
Proceeds from exercise of stock options	122	407
Net cash provided by financing activities	44,258	228,795



<b>Net decrease in cash and due from banks</b>	<b>\$</b>	<b>(8,576)</b>	<b>\$</b>	<b>(91,181)</b>
<b>Cash and due from banks at beginning of period</b>		<b>66,856</b>		<b>145,274</b>
<b>Cash and due from banks at end of period</b>	<b>\$</b>	<b>58,281</b>	<b>\$</b>	<b>54,093</b>

See notes to unaudited consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2007**  
**(Unaudited)**

**Note 1 - Basis of Presentation & 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”). Ameris Bank currently operates 46 branches in Georgia, Alabama, Northern 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, each advisory board 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 nine months and quarter ended September 30, 2007 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, 2006.

Certain amounts reported as of December 31, 2006 or the period ended September 30, 2006 have been reclassified to conform with the presentation for September 30, 2007. These reclassifications had no effect on previously reported net income or stockholders' equity.

**Note 2 – Recent Business Combinations**

On December 29, 2006, Ameris acquired 100 percent of the outstanding common shares of Islands Bancorp and its banking subsidiary, Islands Community Bank, NA (collectively, “Islands”). Islands was headquartered in Beaufort, South Carolina where it operated a single branch with satellite loan production offices in Bluffton, South Carolina and Charleston, South Carolina. The consideration for the acquisition was a combination of cash and common stock with an aggregate purchase price of approximately \$19,055,000. The total consideration consisted of \$5,121,000 in cash, and approximately 494,000 shares of Ameris Bancorp common stock with a value of approximately \$13,934,000. The value of the shares of common stock issued of \$28.18 was based on the average closing price of Ameris common stock for the 10 trading days immediately preceding the merger. Islands results of operations for 2006 are not included in Ameris’ consolidated financial results as the merger date occurred after close of business on the last day of the fiscal year.

**Note 3 - Investment Securities**

Ameris’ investment policy blends the needs of the Company’s liquidity and interest rate risk with its desire to improve income and provide funds for expected growth in loans. Under this policy, the Company generally invests in obligations of the United States Treasury or other governmental or quasi-governmental agencies. Ameris’ portfolio and investing philosophy concentrate activities in obligations where the credit risk is limited. For a small portion of Ameris’ portfolio that has been 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, 2007, December 31, 2006 and September 30, 2006 are presented below:

## September 30, 2007

	Amortized	Unrealized	Unrealized	Estimated
(dollars in thousands)	Cost	Gains	Losses	Fair Value
U. S. Government sponsored agencies	\$ 104,097	\$ 88	\$ (780)	\$ 103,405
State and municipal securities	18,428	47	(139)	18,336
Corporate debt securities	9,784	34	(90)	9,728
Mortgage backed securities	170,479	242	(2,011)	168,709
Marketable equity securities	1,788	11	-	1,799
	\$ 304,575	\$ 423	\$ (3,020)	\$ 301,977

## December 31, 2006

	Amortized	Unrealized	Unrealized	Estimated
(dollars in thousands)	Cost	Gains	Losses	Fair Value
U. S. Government sponsored agencies	\$ 103,207	\$ 31	\$ (1,375)	\$ 101,863
State and municipal securities	19,364	42	(472)	18,934
Corporate debt securities	9,852	40	(63)	9,829
Mortgage-backed securities	153,768	194	(2,144)	151,818
Marketable equity securities	788	-	(40)	748
	\$ 286,979	\$ 307	\$ (4,094)	\$ 283,192

## September 30, 2006

	Amortized	Unrealized	Unrealized	Estimated
(dollars in thousands)	Cost	Gains	Losses	Fair Value
U. S. Government sponsored agencies	\$ 101,198	\$ 13	\$ (1,394)	\$ 99,817
State and municipal securities	16,436	34	(447)	16,023
Corporate debt securities	4,530	44	(62)	4,512
Mortgage-backed securities	148,175	47	(2,537)	145,685
Marketable equity securities	567	-	(58)	509
	\$ 270,906	\$ 138	\$ (4,498)	\$ 266,546

**Note 4 - 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 on 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. Of the target areas of lending activities, commercial and financial loans are generally considered to have a greater risk of loss than real estate loans or consumer installment loans.

The Company evaluates loans for impairment when a loan is risk rated as substandard or doubtful. 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 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. In addition, in certain circumstances, impairment may be based on the loan's observable estimated fair value. Impairment with regard to substantially all of Ameris' impaired loans has been measured based on the estimated fair value of the underlying collateral. The Company's policy for recognizing interest income on impaired loans is consistent with its nonaccrual policy. At the time the contractual payments on a loan are deemed to be uncollectible, Ameris' policy is to record a charge-off against the allowance for loan losses.

Nonperforming assets include loans classified as nonaccrual or renegotiated and foreclosed 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 represented in the following table:

	September 30, 2007	December 31, 2006	September 30, 2006
<b>(dollars in thousands)</b>			
Commercial and financial	\$ 158,822	\$ 174,852	\$ 162,444
Agricultural	47,762	33,980	44,945
Real estate-construction	392,823	340,325	304,464
Real estate-mortgage, farmland	99,518	91,650	92,094
Real estate-mortgage, commercial	477,166	397,837	385,140
Real estate-mortgage, residential	356,156	339,843	320,055
Consumer installment loans	55,796	59,422	58,405
Other	4,971	5,042	5,524
	<b>\$ 1,593,014</b>	<b>\$ 1,442,951</b>	<b>\$ 1,373,071</b>

# **Note 5 - Allowance for Loan Losses**

Activity in the allowance for loan losses for the nine months ended September 30, 2007, for the year ended December 31, 2006 and for the nine months ended September 30, 2006 is as follows:

	September 30, 2007	December 31, 2006	September 30, 2006
(dollars in thousands)			
Balance, January 1	\$ 24,863	\$ 22,294	\$ 22,294
Provision for loan losses charged to expense	4,407	2,837	2,124
Loans charged off	(3,919)	(3,198)	(2,502)
Recoveries of loans previously charged off	1,083	1,906	1,989
Allowance for loan losses of acquired subsidiary	-	1,024	-
Ending balance	\$ 26,434	\$ 24,863	\$ 23,905

# **Note 6 - Weighted Average Shares Outstanding**

Earnings per share have been computed based on the following weighted average number of common shares outstanding for the three months and nine months ended September 30, 2007 and 2006:

	For the Three Months Ended September 30, 2007 2006 (share data in thousands)		For the Nine Months Ended September 30, 2007 2006 (share data in thousands)	
Basic shares outstanding	13,502	13,022	13,477	12,987
Plus: Dilutive effect of ISOs	117	204	161	170
Plus: Dilutive effect of Restricted Grants	1	0	12	0
Diluted shares outstanding	13,620	13,226	13,650	13,157

**Note 7 – Other Borrowings**

The Company has certain borrowing arrangements with various financial institutions that are used in the Company's operations primarily to fund growth in earning assets when appropriate spreads can be realized. At September 30, 2007, total other borrowings amounted to \$116.5 million compared to \$76.3 million at September 30, 2006. The majority of these balances are comprised in the Company's borrowing relationship with the FHLB of Atlanta. Total borrowings at the FHLB were \$111.5 million and \$71.0 million at September 30, 2007 and 2006, respectively. Increases in these borrowing levels were necessary as growth in deposits has not been adequate to fund the growth in earning assets over the period in question. Management believes that this imbalance is temporary and does not believe that significant growth in borrowings will be required to continue growing earning assets in the future.

**Note 8 – Commitments and Contingencies**

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

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

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

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

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

The following represent the Company's commitments to extend credit and standby letters of credit:

(dollars in thousands)	September 30, 2007	September 30, 2006
Commitments to extend credit	\$ 211,111	\$ 191,553
Standby letters of credit	8,275	6,073



## **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," "contemplate," "expect," "estimate," "continue," "plan," "point to," "project," "predict," "could," "potential" and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation, legislative and regulatory initiatives; additional competition in 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 Securities and Exchange Commission under the Exchange Act.

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

### **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 statement of condition as of September 30, 2007 as compared to December 31, 2006 and operating results for the three-month and nine-month periods ended September 30, 2007 as compared to the three-month and nine-month periods ended September 30, 2006. These comments should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes appearing elsewhere herein.

The Company's total assets increased \$55.6 million from December 31, 2006 to \$2.10 billion. Earning assets increased \$56.5 million, or 3.0%, during the same period. Short term assets (federal funds sold and interest bearing deposits in banks) decreased \$112.3 million due to an increase in loan demand and purchases of investment securities. Loans increased 10.4%, or \$150.1 million, since December 31, 2006, while the investment portfolio increased \$18.8 million, or 6.6%. Total deposits were virtually unchanged on September 30, 2007 at \$1.7 billion, a decrease of 0.13%, or \$2.3 million when compared to December 31, 2006.

The growth in the balance sheet and earning assets contributed to solid growth in net interest income. Net interest income for the three months ended September 30, 2007 increased \$1.2 million, or 6.6%, to \$19.1 million compared to the three months ended September 30, 2006. Net interest income for the nine months ended September 30, 2007 increased 7.4% to \$55.8 million from \$52.0 million for the nine months ended September 30, 2006. This increase in net interest income is the result of several factors, the most significant of which are the internal growth in earning assets, effective management of yields on earning assets and efforts to control the Company's cost of funds.



Return on average equity for the nine months ended September 30, 2007 and 2006 was 10.10% and 14.33%, respectively, on average equity of \$184.8 million and \$152.8 million, respectively. Return on average assets for the nine months ended September 30, 2007 and 2006 was 0.92% and 1.24%, respectively. Decreases in profitability levels are attributable to several items:

- Lower net interest margins resulting primarily from the persistent flat or inverted yield curve. The Company's base of funding (deposits and wholesale borrowings) is more closely tied to short term rates while asset yields are more closely tied to longer term rates (from two year to ten year durations). Yield curves in recent months have returned to positive spreads although spreads between short-term rates and long-term rates are still historically small. In addition to pressures from flat or inverted yield curves, the Company has experienced some dilution in margins from its expansion efforts in larger markets. These efforts generally require higher deposit rates in the early years and as a result contribute lower levels of margin than what the Company has historically reported.
- Higher operating expense burdens associated with several ongoing projects including the efforts to centralize backroom operations and efforts to expand the Company's footprint in certain markets. Efforts to centralize backroom functions are nearing completion and should start reflecting savings in the near future. As the new staff becomes trained and effective at levels management believes are appropriate, overall staffing levels will begin to reflect the efficiencies of centralized back room operations. Efforts to expand the Company's footprint have resulted in new offices in Jacksonville, Florida, and Columbia, Charleston, and Hilton Head, South Carolina during 2007. Management believes that it takes approximately 12 months to break even in these new offices and believes that trends in operating expenses will normalize as the building program slows.
- Higher provision for loan loss and other costs associated with credit quality. These costs are discussed later in this report.

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The following table sets forth unaudited selected financial data for the previous five quarters and for the nine-month periods ending September 30, 2007 and 2006. This data should be read in conjunction with the consolidated financial statements and the notes thereto and the information contained in this Item 2.

(in thousands, except share data, taxable equivalent)	2007				2006		For Nine Months Ended	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	2007	2006	
<b>Results of Operations:</b>								
Net interest income	\$ 19,081	\$ 18,330	\$ 18,419	\$ 17,913	\$ 17,897	\$ 55,829	\$ 51,962	
Net interest income (tax equivalent)	19,257	18,722	18,565	18,065	18,046	56,542	52,257	
Provision for loan losses	2,964	936	507	713	713	4,407	2,124	
Non-interest income	4,591	4,643	4,525	7,022	5,252	13,759	12,682	
Non-interest expense	15,170	13,780	14,444	15,625	13,481	43,394	37,860	
Net income	3,570	5,373	5,024	5,758	5,954	13,967	16,369	
<b>Selected Average Balances:</b>								
Loans, net of unearned income	\$ 1,569,906	\$ 1,511,333	\$ 1,458,725	\$ 1,377,824	\$ 1,351,601	\$ 1,513,321	\$ 1,284,957	
Investment securities	299,925	301,848	292,979	272,769	266,450	298,251	267,657	
Earning assets	1,896,044	1,862,381	1,837,001	1,776,925	1,682,425	1,865,142	1,605,674	
Assets	2,069,715	2,030,018	2,014,040	1,946,772	1,851,073	2,039,664	1,764,864	
Deposits	1,695,239	1,693,020	1,688,885	1,627,188	1,529,441	1,693,501	1,442,810	
Shareholders' equity	187,290	185,177	181,645	169,135	155,922	184,829	152,775	
<b>Period-End Balances:</b>								
Loans, net of unearned income	\$ 1,593,014	\$ 1,556,862	\$ 1,475,869	\$ 1,442,951	\$ 1,373,071	\$ 1,593,014	\$ 1,373,071	
Earning assets	1,917,901	1,873,846	1,870,687	1,861,375	1,787,735	1,917,901	1,787,735	
Total assets	2,103,139	2,049,073	2,036,413	2,047,542	1,945,904	2,103,139	1,945,904	
Deposits	1,707,855	1,695,185	1,712,507	1,710,163	1,640,966	1,707,855	1,640,966	

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Other borrowings	<b>153,769</b>	142,769	117,769	112,769	118,556	<b>153,769</b>	118,556
Shareholders' equity	<b>188,596</b>	184,099	182,764	178,732	160,440	<b>188,596</b>	160,440
<b>Per Common Share Data:</b>							
Earnings per share-Basic	\$ <b>0.26</b>	\$ 0.40	\$ 0.37	\$ 0.44	\$ 0.46	\$ <b>1.04</b>	\$ 1.26
Earnings per share – Diluted	<b>0.26</b>	0.39	0.37	0.43	0.45	<b>1.02</b>	1.24
Book value per share	<b>13.93</b>	13.60	13.51	13.24	12.31	<b>13.93</b>	12.31
End of period shares outstanding	<b>13,539,195</b>	13,541,476	13,527,520	13,553,002	13,033,193	<b>13,539,195</b>	13,033,193
<b>Weighted average shares outstanding</b>							
Basic	<b>13,501,663</b>	13,485,683	13,443,850	13,044,493	13,022,400	<b>13,477,065</b>	12,986,788
Diluted	<b>13,620,069</b>	13,663,072	13,667,509	13,269,289	13,226,055	<b>13,650,217</b>	13,156,784
<b>Market Price:</b>							
High Closing Price	<b>23.05</b>	25.58	28.15	28.99	27.77	<b>27.94</b>	27.91
Low Closing Price	<b>17.72</b>	21.76	23.11	25.77	20.99	<b>17.72</b>	19.35
Closing Price for Quarter	<b>18.08</b>	22.47	24.33	28.18	27.07	<b>18.08</b>	27.07
Trading volume (avg. daily)	<b>50,547</b>	38,941	41,130	23,016	36,957	<b>43,565</b>	25,001
<b>Cash dividends per share</b>							
	<b>0.14</b>	0.14	0.14	0.14	0.14	<b>0.42</b>	0.42
Price to earnings (LTM)	<b>12.38</b>	13.70	14.74	16.87	14.79	<b>12.38</b>	14.79
Price to book value	<b>1.30</b>	1.65	1.81	2.13	2.21	<b>1.30</b>	2.20
<b>Performance Ratios:</b>							
Return on average assets	<b>0.68%</b>	1.06%	1.01%	1.17%	1.28%	<b>0.92%</b>	1.24%
Return on average equity	<b>7.56%</b>	11.64%	11.22%	13.51%	15.15%	<b>10.10%</b>	14.33%
Avg. loans as % of avg.	<b>92.61%</b>	89.27%	86.18%	84.68%	88.37%	<b>89.36%</b>	89.06%

deposits							
Net interest margin (tax equivalent)	<b>4.03%</b>	4.03%	4.10%	4.03%	4.26%	<b>4.05%</b>	4.36%
Average equity to average assets	<b>9.04%</b>	9.12%	9.02%	8.69%	8.42%	<b>9.06%</b>	8.66%
Efficiency ratio	<b>64.08%</b>	59.98%	62.96%	62.66%	58.24%	<b>62.36%</b>	58.57%

## Results of Operations for the Three Months Ended September 30, 2007 and 2006

### ***Interest Income***

Interest income for the three months ended September 30, 2007 was \$37.5 million, an increase of \$4.8 million, or 14.8%, compared to \$32.6 million for the same period in 2006. Average earning assets for the three-month period increased \$213.6 million, or 12.7%, to \$1.90 billion as of September 30, 2007, compared to \$1.68 billion as of September 30, 2006. Average earning assets were 91.6% of total average assets for the three months ended September 30, 2007 compared to 90.9% for the same period in 2006. Yield on average earning assets increased to 7.87% from 7.73% for the quarters ended September 30, 2007 and 2006, respectively. The Company's increase in interest income is primarily attributable to higher levels in prevailing interest rates as well as continued growth from both internal sources and the acquisition of Islands Bancorp on December 31, 2006.

### ***Interest Expense***

Interest expense on deposits for the three months ended September 30, 2007 was \$15.9 million, an increase of \$3.3 million from the three months ended September 30, 2006. Total funding costs for the Company (deposits and wholesale borrowings) increased \$3.6 million, or 24.7%, to \$18.4 million for the three months ended September 30, 2007, compared to \$14.7 million for the three months ended September 30, 2006. Total cost of funding for the Company increased during the third quarter of 2007 to 3.90% from 3.50% during the third quarter of 2006. The increase in the cost of funding relates principally to an aggressive effort by the Company to seize market share in larger, growth oriented cities such as Jacksonville, Florida and Columbia, South Carolina. This aggressive position on pricing new deposits sometimes influences existing balances and raises the cost of funding by more than simply incremental inflows of deposits.

### ***Net Interest Income***

Net interest income for the three months ended September 30, 2007 increased \$1.2 million, or 6.6%, to \$19.1 million compared to the same quarter in 2006. The Company's net interest margin decreased over the same period from 4.26% during the third quarter of 2006 to 4.03% in the third quarter of 2007. The increase in net interest income relates to continued growth in earning assets, offset somewhat by the lower net interest margins. As mentioned earlier, margins in 2007 have been affected by the flat or inverted yield curve as well as the Company's aggressive marketing efforts in new metro markets.

### ***Provision for Loan Losses***

The provision for loan losses was \$3.0 million for the three months ended September 30, 2007, compared to \$713,000 for the same quarter in 2006. Additional levels of loan loss provisions were recorded in the third quarter of 2007 that were associated with two problem credits the company believes are nearing resolution. These two problem credits amounted to 45.9% of total non-performing loans at the end of the current quarter. During 2005 and 2006, the Company and the industry in which we operate experienced extraordinarily few credit problems where borrowers either became past due or where the Company experienced losses associated with certain credits. Early in 2007, the Company began experiencing higher levels of problem loans which are reflected in our level of non-performing assets. While the Company believes non-performing assets and related credit costs (provisions and net charge-offs) will be unpredictable for several quarters, no systemic issue has been identified and only limited regions in which the Company is engaged in lending activities have experienced market value deteriorations that are of concern to management. As indicated before, Ameris' exposure in these geographic regions is less than 2% of the Company's entire loan portfolio.

The amount of provision for loan losses is determined using the Company's methodology that grades each loan and determines the reserve necessary for the portfolio based on those grades (general allocation of the reserve for loan losses). If the reserve requirement based on the loan grade system is not sufficient, the Company creates a specific reserve for the deficiency through the provision for loan losses (specific allocation of the reserve for loan losses). The Company's entire allowance for loan losses (general and specific) is allocated to individual loans based on the

methodology and in management's opinion is adequate at September 30, 2007.

### ***Non-interest Income***

Non-interest income was \$4.6 million for the three months ended September 30, 2007, a decrease of \$661,000 from the amount reported in the third quarter of 2006. Service charges on deposit accounts increased 7.4% to \$3.2 million due to higher levels of demand deposits and higher fee structures implemented during the second half of 2006. Income from mortgage banking activities increased 43.2% to \$783,000 during the third quarter of 2007 when compared to the same quarter in 2006. This increase in mortgage income relates primarily to the placement of additional mortgage loan officers in many of the Company's markets and increased sales effectiveness from existing mortgage officers from sales training and referral activity in the Bank. Other non-interest income for the three months ended September 30, 2007 was down \$1.1 million to \$680,000 from the amount reported in the third quarter of 2006. Non-interest income was positively affected during the third quarter of 2006 by the Company's sale of one of its bank charters for \$1.0 million.

### ***Non-interest Expense***

Non-interest expenses for the third quarter of 2007 were \$15.2 million, an increase of \$1.7 million from the third quarter of 2006. Salaries and employee benefits increased \$307,000 to \$7.4 million during the quarter. During the third quarter of 2007, the Company accrued approximately \$600,000 less in incentive pay than was accrued in the same quarter in 2006. Net increases in salaries and benefits are due primarily to the acquisition of Islands Bancorp on December 31, 2006 and subsequent expansion of the franchise into three additional metro markets in South Carolina. In addition, the Company's consolidation efforts have yet to produce savings in compensation costs as management is waiting to determine that required service quality levels can be attained. Other non-interest expenses increased approximately \$1.3 million to \$5.7 million in the third quarter of 2007 compared to the third quarter in 2006. During the third quarter of 2007, marketing and advertising expenses increased approximately \$340,000 over the same quarter in 2006 due to the Company's low cost deposit campaign. Costs associated with problem credits increased \$330,000 during the current quarter compared to amounts recorded during the third quarter of 2006. Lastly, special charges were required to improve back room systems to better accommodate centralized processes over loans and deposits. Management believes these are not recurring costs and expects operating expenses in the future to moderate closer to historical levels.

### ***Income Taxes***

The amount of income tax expense is influenced by the amount of taxable income and the amount of tax-exempt income. For the three months ended September 30, 2007 and 2006, the provision for taxes was \$2.0 million and \$3.0 million, respectively. The effective tax rates for the three months ended September 30, 2007 and 2006 was 35.5% and 33.5%, respectively.

## **Results of Operations for the Nine months Ended September 30, 2007 and 2006**

### ***Interest Income***

Interest income for the nine months ended September 30, 2007 was \$108.7 million, an increase of \$19.1 million, or 21.3%, compared to \$89.6 million for the same period in 2006. Average earnings assets for the nine-month period increased \$259.5 million, or 16.2%, to \$1.87 billion as of September 30, 2007 compared to \$1.61 billion as of September 30, 2006. Yield on average earning assets increased 35 basis points to 7.84% from 7.49% for the nine months ended September 30, 2007 and 2006, respectively.

### ***Interest Expense***

Interest expense on deposits and other borrowings for the nine months ended September 30, 2007 was \$52.9 million, a \$15.2 million, or 40.5%, increase from September 30, 2006. While average interest bearing liabilities increased \$236.2 million, or 16.8% to \$1.64 billion for the nine months ended September 30, 2007 compared to \$1.41 billion for the nine months ended September 30, 2006, the yield on average interest bearing liabilities increased 73 basis points to 4.30% from 3.57% as of September 30, 2007 and 2006, respectively.

***Net Interest Income***

Net interest income for the nine months ended September 30, 2007 increased \$3.9 million, or 7.4%, to \$55.8 million compared to \$52.0 million for the same period ending September 30, 2006. The Company's net interest margin decreased to 4.05% for the nine months ended September 30, 2007 compared to 4.36% as of September 30, 2006.

***Provision for Loan Losses***

The provision for loan losses increased \$2.3 million for the nine months ended September 30, 2007 to \$4.4 million, from \$2.1 million for the same period in 2006. Total non-performing assets increased to \$22.0 million at September 30, 2007 from \$10.0 million at September 30, 2006. For the nine-month period ending September 30, 2007, Ameris had net charge-offs of \$2.8 million compared to \$513,000 for the same period in 2006. Changes in credit quality are discussed further in the "Loans and Allowance for Loan Losses" section.

***Non-interest Income***

Non-interest income for the first nine months of 2007 was up \$1.1 million, or 8.5%, compared to the same time period a year ago. Service charges on deposit accounts increased 7.0%, or \$598,000 as the Company made certain adjustments to fee schedules during the year. Mortgage banking activities include origination fees, service release premiums and the gain on the sales of mortgage loans held-for-sale. Mortgage banking activities for the nine months ended September 30, 2007 totaled \$2.3 million, an increase of \$770,000, or 51.5%, compared to \$1.5 million in the nine months ended September 30, 2006. Other non-interest income decreased \$538,000 or 18.2%. During the third quarter of 2006, the Company recognized a gain of \$1.0 million related to the sale of one of its bank charters. This sale did not impact the Company's customers, employees or fixed assets.

***Non-interest Expense***

Non-interest expense for the first nine months of 2007 was \$43.4 million. This represents a \$5.5 million, or 14.6%, increase over the prior year period which totaled \$37.9 million. The increase in non-interest expense is attributable to salaries and employee benefits increasing \$2.9 million, net occupancy and equipment increasing \$596,000, amortization expense increasing \$188,000 and other expense increasing \$1.9 million.

At September 30, 2007, Ameris had 621 full-time equivalent employees compared to 588 full-time equivalent employees at September 30, 2006. The Company continues to be successful in its efforts to hire seasoned professionals in production and management positions. Recruiting efforts were successful in Jacksonville, Florida with the hiring of commercial lending and mortgage bankers to staff the Company's new branch that opened December 1, 2006. Initial efforts also were successful in South Carolina as Ameris hired several very seasoned bankers to lead the Company's efforts in both the greater Columbia and Charleston markets. The Company is also continuing its efforts to expand production capacity and build greater market share in its larger, more metropolitan markets while reducing the number of back office and non-customer contact roles.

Salaries and employee benefits for the nine months ended September 30, 2007 were \$2.9 million higher than during the same period in 2006. The majority of this increase is attributable to the acquisition of Islands Bancorp on December 31, 2006, as well as additional new hires across the Company's other growth markets.

Occupancy and equipment expense increased \$596,000 to \$5.2 million for the nine months ended September 30, 2007 as compared to the same period of 2006. New offices, opened during the last half of 2006 in Jacksonville, Florida and Douglas, Georgia have contributed to higher levels of occupancy and equipment expenses.

Other expenses for the nine months ended September 30, 2007 increased \$1.9 million when compared to the same time period for 2006. The majority of this increase occurred during the third quarter of 2007 and results from additional levels of advertising and marketing, costs associated with problem loans and expenses incurred to improve the systems in centralized loan and deposit operations.



The Company's efficiency ratio (operating expenses as a percent of total revenue) increased to 62.36% for the nine months ended September 30, 2007 from 58.57% for the nine months ended September 30, 2006.

**Income Taxes**

The amount of income tax expense is influenced by the amount of taxable income and the amount of tax-exempt income. For the nine months ended September 30, 2007 and 2006, the provision for taxes was \$7.8 million and \$8.3 million, respectively. The effective tax rate for the nine months ended September 30, 2007 was 35.9% compared to 33.6% for the same period in 2006.

**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 Banks are subject to capital adequacy requirements imposed by the Federal Deposit Insurance Corporation (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 minimum requirements established by the regulators are set forth in the table below along with the actual ratios at September 30, 2007 and 2006.

	<b>Well Capitalized Requirement</b>	<b>Adequately Capitalized Requirement</b>	<b>September 30, 2007 Actual</b>	<b>September 30, 2006 Actual</b>
Tier 1 Capital (to Average Assets)	≥5%	≥4%	<b>8.53%</b>	8.47%
Tier 1 Capital (to Risk Weighted Assets)	≥6%	≥4%	<b>10.80%</b>	10.87%
Total Capital (to Risk Weighted Assets)	≥10%	≥8%	<b>12.05%</b>	12.42%

Management believes that the Company and the Bank met all capital requirements to which they are subject as of September 30, 2007.

### **Loans and Allowance for Loan Losses**

At September 30, 2007, gross loans outstanding were \$1.59 billion, an increase of \$150.1 million, or 10.4%, over gross loans at December 31, 2006. The growth in the loan portfolio was attributable to a consistent focus on quality loan production and expansion into faster growing markets over the past few years. The Company constantly 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 and financial, (2) real estate construction, (3) residential mortgage, (4) commercial real estate, (5) agricultural, and (6) consumer loans. The Company's management has strategically located its branches in South and Southeast Georgia, North Florida, Southeast Alabama and the state of South Carolina and has taken advantage of the growth in these areas.

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

The Company's risk management processes include a loan review program designed to evaluate the credit risk in the loan portfolio and insure credit grade accuracy. Through the loan review process, the Company maintains a loan portfolio summary analysis, charge-off and recoveries analysis, trends in accruing problem loan analysis, and problem and past due loan analysis which serve as tools 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 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 will also consider 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. Historically, we believe our estimates of the level of allowance for loan losses required have been appropriate and our expectation is that the primary factors considered in the provision calculation will continue to be consistent with prior trends.

For the nine-month period ending September 30, 2007, the Company recorded net charge-offs totaling \$2.8 million for the period compared to \$513,000 for the same period in 2006. The provision for loan losses for the nine months

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ended September 30, 2007 and 2006 was \$4.4 million and \$2.1 million, respectively. The allowance for loan losses totaled \$26.4 million, or 1.66% of total loans at September 30, 2007, compared to \$23.9 million, or 1.74% of total loans at September 30, 2006. The reserve at December 31, 2006 contained several credits with specific reserves that have been resolved during 2007 through a combination of collection efforts and charge-offs. This activity has led to a reduction in the reserve to total loans percentage even as levels of non-performing assets have increased.

The following table presents an analysis of the allowance for loan losses for the nine-month periods ended September 30, 2007 and 2006:

(dollars in thousands)	September 30, 2007	September 30, 2006
Balance of allowance for loan losses at beginning of period	\$ 24,863	\$ 22,294
Provision charged to operating expense	4,407	2,124
Charge-offs:		
Commercial	2,669	634
Installment	651	489
Real estate	599	1,299
Agriculture	0	7
Other	0	73
<b>Total charge-offs</b>	<b>3,919</b>	<b>2,502</b>
Recoveries:		
Commercial	690	1,172
Installment	291	370
Real estate	100	383
Agriculture	2	36
Other	0	28
<b>Total recoveries</b>	<b>1,083</b>	<b>1,989</b>
Net charge-offs (recoveries)	2,836	513
Balance of allowance for loan losses at end of period	\$ 26,434	\$ 23,905
Net annualized (charge-offs) recoveries as a percentage of average loans	0.24%	0.05%
Reserve for loan losses as a percentage of loans at end of period	1.66%	1.74%

**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. 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. Non-performing assets increased \$3.6 million during the quarter ending September 30, 2007 to end at \$22.0 million. Non-performing assets as a percentage of loans and repossessed collateral were 1.38% and 0.73% at September 30, 2007 and December 31, 2006.

Non-performing assets were as follows:

	September 30, 2007	December 31, 2006
(dollars in thousands)		
Total nonaccrual loans	\$ 19,464	\$ 6,877
Accruing loans delinquent 90 days or more	-	-
Other real estate owned and repossessed collateral	2,497	1,838
Total non-performing assets	\$ 21,961	\$ 8,715

**Interest Rate Sensitivity and Liquidity**

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

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

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

The Company uses a simulation modeling process to measure interest rate risk and evaluate potential strategies. Interest rate scenario models are prepared using software created and licensed from an outside vendor. The

Company's simulation includes all financial assets and liabilities. Simulation results quantify interest rate risk under various interest rate scenarios. Management then develops and implements appropriate strategies. ALCO 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 Federal Home Loan Bank stock for the purpose of establishing credit lines with the Federal Home Loan Bank. 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, 2007, there were \$111.5 million in advances outstanding with the Federal Home Loan Bank.

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

	<b>September 30, 2007</b>	<b>June 30, 2007</b>	<b>March 31, 2007</b>	<b>December 31, 2006</b>	<b>September 30, 2006</b>
Total securities to total deposits	17.68%	17.74%	17.54%	16.55%	16.24%
Total loans (net of unearned income) to total deposits	93.27%	91.84%	86.18%	84.37%	83.67%
Interest-earning assets to total assets	91.19%	91.44%	91.86%	90.90%	91.87%
Interest-bearing deposits to total deposits	88.72%	88.15%	88.45%	87.04%	86.17%

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, 2007 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, 2007, the Company had two effective interest rate floors with notional amounts totaling \$70 million. These floors are hedging specific cash flows associated with certain variable rate loans and have strike rates of 7.00%. Maturities range from September 2009 to September 2011. Finally, the Company has no exposure to foreign currency exchange rate risk, commodity price risk and other market risks.

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

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

Additional information required by Item 305 of Regulation S-K is set forth under 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 Securities Exchange Act of 1934, as amended (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, 2007, there was not any change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

None.

**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, 2007.

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

None.

**Item 3. Defaults upon Senior Securities**

None.

**Item**

**4. Submission of Matters to a Vote of Security Holders**

No matter was submitted to a vote of our security holders by solicitation of proxies or otherwise during the third quarter of 2007.

**Item**

**5. Other Information**

None.

**Item**

**6. Exhibits**

The following are filed with this report.

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

**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.

**AMERIS BANCORP**

Date: November 9, 2007

/s/Dennis J. Zember, Jr.  
Dennis J. Zember, Jr.,  
Executive Vice President and Chief Financial Officer  
(duly authorized signatory and principal financial officer)

**EXHIBIT INDEX**

Exhibit No.	Description
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