

Ameris Bancorp  
Form 10-Q  
August 07, 2008

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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 June 30, 2008

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, 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):

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Large accelerated filer ☐

Accelerated filer ☒

Smaller Reporting Company ☐

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

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

There were 13,564,032 shares of Common Stock outstanding as of August 4, 2008.

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

|                                                                                                         | June 30,<br>2008<br>(Unaudited) | December<br>31,<br>2007<br>(Audited) | June 30,<br>2007<br>(Unaudited) |
|---------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| <b>Assets</b>                                                                                           |                                 |                                      |                                 |
| Cash and due from banks                                                                                 | \$ 47,720                       | \$ 59,804                            | \$ 50,328                       |
| Federal funds sold & interest bearing balances                                                          | 38,125                          | 12,022                               | 16,342                          |
| Securities available for sale, at fair value                                                            | 293,601                         | 291,170                              | 300,642                         |
| Restricted equity securities, at cost                                                                   | 9,651                           | 7,559                                | 8,234                           |
| <b>Loans</b>                                                                                            | <b>1,678,147</b>                | <b>1,614,048</b>                     | <b>1,556,862</b>                |
| Less: allowance for loan losses                                                                         | 28,660                          | 27,640                               | 25,032                          |
| <b>Loans, net</b>                                                                                       | <b>1,649,487</b>                | <b>1,586,408</b>                     | <b>1,531,831</b>                |
| <b>Premises and equipment, net</b>                                                                      | <b>63,291</b>                   | <b>59,132</b>                        | <b>52,385</b>                   |
| <b>Intangible assets, net</b>                                                                           | <b>4,217</b>                    | <b>4,802</b>                         | <b>5,450</b>                    |
| <b>Goodwill</b>                                                                                         | <b>54,813</b>                   | <b>54,813</b>                        | <b>54,629</b>                   |
| <b>Other assets</b>                                                                                     | <b>32,116</b>                   | <b>36,353</b>                        | <b>29,232</b>                   |
| <b>Total assets</b>                                                                                     | <b>\$ 2,193,021</b>             | <b>\$ 2,112,063</b>                  | <b>\$ 2,049,073</b>             |
| <b>Liabilities and Stockholders' Equity</b>                                                             |                                 |                                      |                                 |
| <b>Deposits:</b>                                                                                        |                                 |                                      |                                 |
| Noninterest-bearing                                                                                     | \$ 200,936                      | \$ 197,345                           | \$ 200,849                      |
| Interest-bearing                                                                                        | 1,569,925                       | 1,559,920                            | 1,494,337                       |
| <b>Total deposits</b>                                                                                   | <b>1,770,861</b>                | <b>1,757,265</b>                     | <b>1,695,185</b>                |
| Federal funds purchased & securities sold under agreements to repurchase                                | 39,795                          | 14,705                               | 6,966                           |
| <b>Other borrowings</b>                                                                                 | <b>133,000</b>                  | <b>90,500</b>                        | <b>105,500</b>                  |
| <b>Other liabilities</b>                                                                                | <b>14,541</b>                   | <b>16,075</b>                        | <b>15,054</b>                   |
| <b>Subordinated deferrable interest debentures</b>                                                      | <b>42,269</b>                   | <b>42,269</b>                        | <b>42,269</b>                   |
| <b>Total liabilities</b>                                                                                | <b>2,000,466</b>                | <b>1,920,814</b>                     | <b>1,864,974</b>                |
| <b>Stockholders' Equity</b>                                                                             |                                 |                                      |                                 |
| Common stock, par value \$1; 30,000,000 shares authorized; 14,895,134, 14,869,924 and 14,867,934 issued | 14,895                          | 14,870                               | 14,868                          |
| Capital surplus                                                                                         | 83,308                          | 82,750                               | 82,019                          |
| Retained earnings                                                                                       | 105,430                         | 103,095                              | 102,124                         |
| Accumulated other comprehensive income(loss)                                                            | (291)                           | 1,303                                | (4,231)                         |
|                                                                                                         | 203,342                         | 202,018                              | 194,780                         |
| <b>Treasury stock, at cost, 1,331,102, 1,329,939 and 1,326,458 shares</b>                               | <b>(10,787)</b>                 | <b>(10,769)</b>                      | <b>(10,681)</b>                 |
| <b>Total stockholders' equity</b>                                                                       | <b>192,555</b>                  | <b>191,249</b>                       | <b>184,099</b>                  |
| <b>Total liabilities and stockholders' equity</b>                                                       | <b>\$ 2,193,021</b>             | <b>\$ 2,112,063</b>                  | <b>\$ 2,049,073</b>             |

See notes to unaudited consolidated financial statements.

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

|                                                        | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|--------------------------------------------------------|--------------------------------|-----------|------------------------------|-----------|
|                                                        | 2008                           | 2007      | 2008                         | 2007      |
| <b>Interest Income</b>                                 |                                |           |                              |           |
| Interest and fees on loans                             | \$ 28,339                      | \$ 31,573 | \$ 58,472                    | \$ 62,332 |
| Interest on taxable securities                         | 3,645                          | 3,434     | 7,228                        | 6,771     |
| Interest on nontaxable securities                      | 173                            | 176       | 346                          | 355       |
| Interest on deposits in other banks                    | 91                             | 659       | 291                          | 1,700     |
| Interest on federal funds sold                         | -                              | 1         | -                            | 92        |
| Total Interest Income                                  | 32,249                         | 35,842    | 66,337                       | 71,251    |
| <b>Interest Expense</b>                                |                                |           |                              |           |
| Interest on deposits                                   | 12,314                         | 15,540    | 26,456                       | 30,744    |
| Interest on other borrowings                           | 879                            | 1,973     | 2,366                        | 3,758     |
| Total Interest Expense                                 | 13,193                         | 17,512    | 28,822                       | 34,503    |
| Net Interest Income                                    | 19,056                         | 18,330    | 37,515                       | 36,748    |
| Provision for Loan Losses                              | 3,720                          | 936       | 6,920                        | 1,444     |
| Net Interest Income After Provision for<br>Loan Losses | 15,336                         | 17,394    | 30,595                       | 35,304    |
| <b>Noninterest Income</b>                              |                                |           |                              |           |
| Service charges on deposit accounts                    | 3,664                          | 3,066     | 6,980                        | 5,936     |
| Mortgage banking activity                              | 855                            | 799       | 1,725                        | 1,482     |
| Other service charges, commissions and<br>fees         | 220                            | 460       | 498                          | 805       |
| Gain on sale of securities                             | -                              | 8         | -                            | 8         |
| Other noninterest income                               | 574                            | 310       | 953                          | 937       |
| Total Noninterest Income                               | 5,313                          | 4,643     | 10,156                       | 9,168     |
| <b>Noninterest Expense</b>                             |                                |           |                              |           |
| Salaries and employee benefits                         | 8,660                          | 7,492     | 17,278                       | 15,224    |
| Equipment and occupancy expense                        | 2,103                          | 1,718     | 4,095                        | 3,394     |
| Amortization of intangible assets                      | 293                            | 324       | 585                          | 649       |
| Data processing fees                                   | 638                            | 581       | 1,241                        | 1,374     |
| Other operating expenses                               | 4,268                          | 3,664     | 8,402                        | 7,583     |
| Total Noninterest Expense                              | 15,961                         | 13,780    | 31,601                       | 28,224    |
| Net Income Before Taxes                                | 4,688                          | 8,257     | 9,150                        | 16,248    |
| Provision for Income Taxes                             | 1,538                          | 2,884     | 3,035                        | 5,852     |

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|                                                                            |    |         |    |         |    |         |    |         |
|----------------------------------------------------------------------------|----|---------|----|---------|----|---------|----|---------|
| Net Income                                                                 | \$ | 3,149   | \$ | 5,373   | \$ | 6,115   | \$ | 10,397  |
| Unrealized holding gain/(loss) arising during period, net of tax           |    | (4,447) |    | (2,292) |    | (1,770) |    | (1,500) |
| Unrealized gain/(loss) on cashflow hedge arising during period, net of tax |    | (1,344) |    | 176     |    | 249     |    | 176     |
| Comprehensive Income                                                       | \$ | (2,642) | \$ | 3,257   | \$ | 4,594   | \$ | 9,073   |
| Basic earnings per share                                                   | \$ | 0.23    | \$ | 0.40    | \$ | 0.45    | \$ | 0.77    |
| Diluted earnings per share                                                 | \$ | 0.23    | \$ | 0.39    | \$ | 0.45    | \$ | 0.76    |
| Dividends declared per share                                               | \$ | 0.14    | \$ | 0.14    | \$ | 0.28    | \$ | 0.28    |

See notes to unaudited consolidated financial statements.

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AMERIS BANCORP AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(dollars in thousands)  
(Unaudited)

|                                                                                                     | Six Months Ended<br>June 30, |             |
|-----------------------------------------------------------------------------------------------------|------------------------------|-------------|
|                                                                                                     | 2008                         | 2007        |
| Cash Flows From Operating Activities:                                                               |                              |             |
| Net Income                                                                                          | \$ 6,115                     | \$ 10,397   |
| Adjustments to reconcile net income to net cash provided by operating activities:                   |                              |             |
| Depreciation                                                                                        | 1,570                        | 1,556       |
| Net loss on sale or disposal of premises and equipment                                              | (34)                         | -           |
| Provision for loan losses                                                                           | 6,920                        | 1,444       |
| Amortization of intangible assets                                                                   | 585                          | 649         |
| Other prepaids, deferrals and accruals, net                                                         | (1,124)                      | (10,796)    |
| Net cash provided by operating activities                                                           | 14,032                       | 3,250       |
| Cash Flows From Investing Activities:                                                               |                              |             |
| Net decrease/(increase) in federal funds sold & interest bearing deposits                           | (26,103)                     | 118,890     |
| Proceeds from maturities of securities available for sale                                           | 52,155                       | 17,771      |
| Purchase of securities available for sale                                                           | (57,307)                     | (38,521)    |
| Proceeds from sales of securities available for sale                                                | -                            | 982         |
| Net increase in loans                                                                               | (75,562)                     | (113,911)   |
| Proceeds from sales of other real estate owned                                                      | 10,333                       | -           |
| Purchases of premises and equipment                                                                 | (7,314)                      | (7,337)     |
| Net cash used in investing activities                                                               | (103,798)                    | (22,126)    |
| Cash Flows From Financing Activities:                                                               |                              |             |
| Net increase/(decrease) in deposits                                                                 | 13,596                       | (14,978)    |
| Net increase/(decrease) in federal funds purchased & securities sold under agreements to repurchase | 25,090                       | (8,967)     |
| Net increase in other borrowings                                                                    | 42,500                       | 30,000      |
| Dividends paid                                                                                      | (3,798)                      | (3,844)     |
| Purchase of treasury shares                                                                         | (18)                         | -           |
| Proceeds from exercise of stock options                                                             | 312                          | 137         |
| Net cash provided by financing activities                                                           | 77,682                       | 2,348       |
| Net decrease in cash and due from banks                                                             | \$ (12,084)                  | \$ (16,528) |
| Cash and due from banks at beginning of period                                                      | 59,804                       | 66,856      |
| Cash and due from banks at end of period                                                            | \$ 47,720                    | \$ 50,328   |

See notes to unaudited consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008

(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 48 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 three months and quarter ended June 30, 2008 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, 2007.

Certain amounts reported for the periods ended June 30, 2007 and December 31, 2007 have been reclassified to conform with the presentation as of June 30, 2008. These reclassifications had no effect on previously reported net income or stockholders' equity.

Newly Adopted Accounting Pronouncements

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 has been applied prospectively as of the beginning of the period.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard 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 active 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.

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

**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 certain U.S. agency bonds, collateralized mortgage and debt obligations, and certain municipal securities. 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.

**Derivatives** – The Company's current hedging strategies involve utilizing interest floors. 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. As of June 30, 2008, the Company had cash flow hedges with a notional amount of \$70 million for the purpose of converting floating rate assets to fixed rate.

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**Impaired Loans** – Impaired loans are carried at the present value of estimated future cash flows using the loan's existing rate, or the fair value of collateral if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for loan losses to increase, such increase is reported as a component of the provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan is confirmed. Throughout the quarter certain impaired loans were partially charged-off or re-evaluated for impairment resulting in a remaining balance for these loans. The fair value of these impaired loans is considered Level 3, and was computed by analysis of appraisals on the underlying collateral and discounted cash flow analysis.

**Other Real Estate Owned** – The fair value of other real estate owned ("OREO") is determined using certified appraisals that value the property at its highest and best uses by applying traditional valuation methods common to the industry. The Company does not hold any OREO for profit purposes and all other real estate is actively marketed for sale.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115. The standard provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the chance to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting standards. This standard is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company has not elected the fair value option for any financial assets or liabilities as of June 30, 2008.

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 FAS 157 fair value hierarchy in which the fair value measurements fall as of June 30, 2008:

|                                      | Fair Value | Fair Value Measurements Using                                                    |                                                           |                                                    |
|--------------------------------------|------------|----------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                      |            | Quoted<br>Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Securities available for sale        | \$ 293,601 | \$ 6,000                                                                         | \$ 285,534                                                | \$ 2,067                                           |
| Derivative financial instruments     | 1,789      |                                                                                  | 1,789                                                     |                                                    |
| Impaired loans carried at fair value | 4,445      |                                                                                  |                                                           | 4,445                                              |
| Other real estate owned              | 3,032      |                                                                                  |                                                           | 3,032                                              |
| Total assets at fair value           | \$ 302,867 | \$ 6,000                                                                         | \$ 287,323                                                | \$ 9,544                                           |

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## 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 June 30, 2008, December 31, 2007 and June 30, 2007 are presented below:

| (dollars in thousands)              | June 30, 2008  |                  |                   |                      |
|-------------------------------------|----------------|------------------|-------------------|----------------------|
|                                     | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| U. S. Government sponsored agencies | \$ 58,877      | \$ 239           | \$ (478)          | \$ 58,638            |
| State and municipal securities      | 18,839         | 157              | (113)             | 18,883               |
| Corporate debt securities           | 12,713         | 112              | (526)             | 12,299               |
| Mortgage backed securities          | 203,227        | 938              | (2,172)           | 201,993              |
| Marketable equity securities        | 1,788          | -                | -                 | 1,788                |
|                                     | \$ 295,444     | \$ 1,446         | \$ (3,289)        | \$ 293,601           |

| (dollars in thousands)              | December 31, 2007 |                  |                   |                      |
|-------------------------------------|-------------------|------------------|-------------------|----------------------|
|                                     | Amortized Cost    | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| U. S. Government sponsored agencies | \$ 69,562         | \$ 366           | \$ (5)            | \$ 69,923            |
| State and municipal securities      | 18,232            | 181              | (93)              | 18,320               |
| Corporate debt securities           | 9,812             | 37               | (351)             | 9,498                |
| Mortgage-backed securities          | 190,896           | 1,281            | (536)             | 191,641              |
| Marketable equity securities        | 1,788             | -                | -                 | 1,788                |
|                                     | \$ 290,290        | \$ 1,865         | \$ (985)          | \$ 291,170           |

| (dollars in thousands)              | June 30, 2007  |                  |                   |                      |
|-------------------------------------|----------------|------------------|-------------------|----------------------|
|                                     | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| U. S. Government sponsored agencies | \$ 112,316     | \$ 3             | \$ (1,653)        | \$ 110,666           |
| State and municipal securities      | 18,708         | 3                | (452)             | 18,259               |
| Corporate debt securities           | 9,808          | 16               | (252)             | 9,572                |
| Mortgage-backed securities          | 165,126        | 46               | (3,815)           | 161,357              |
| Marketable equity securities        | 788            | -                | -                 | 788                  |
|                                     | \$ 306,746     | \$ 68            | \$ (6,172)        | \$ 300,642           |

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## 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.

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 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. At the time the contractual principal 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 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 represented in the following table:

| (dollars in thousands)                   | June 30, 2008 | December 31, |               |
|------------------------------------------|---------------|--------------|---------------|
|                                          |               | 2007         | June 30, 2007 |
| Commercial, financial & agricultural     | \$ 218,055    | \$ 188,652   | \$ 204,907    |
| Real estate – residential                | 392,492       | 386,736      | 347,644       |
| Real estate – commercial & farmland      | 631,753       | 592,177      | 562,042       |
| Real estate – construction & development | 373,033       | 383,317      | 380,617       |
| Consumer installment                     | 52,488        | 55,114       | 56,419        |
| Other                                    | 10,326        | 8,052        | 5,233         |
|                                          | \$ 1,678,147  | \$ 1,614,048 | \$ 1,556,862  |

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## Note 5 - Allowance for Loan Losses

Activity in the allowance for loan losses for the six months ended June 30, 2008, for the year ended December 31, 2007 and for the six months ended June 30, 2007 is as follows:

| (dollars in thousands)                       | June 30,<br>2008 | December<br>31, 2007 | June 30,<br>2007 |
|----------------------------------------------|------------------|----------------------|------------------|
| Balance, January 1                           | \$ 27,640        | \$ 24,863            | \$ 24,863        |
| Provision for loan losses charged to expense | 6,920            | 11,321               | 1,444            |
| Loans charged off                            | (6,745)          | (10,418)             | (2,113)          |
| Recoveries of loans previously charged off   | 845              | 1,874                | 838              |
| Ending balance                               | \$ 28,660        | \$ 27,640            | \$ 25,032        |

## Note 6 – Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of the net assets purchased in business combinations. Goodwill is required to be tested annually for impairment or whenever events occur that may indicate that the recoverability of the carrying amount is not probable. In the event of an impairment, the amount by which the carrying amount exceeds the fair value is charged to earnings. The Company performed its annual test of impairment in the fourth quarter and determined that there was no impairment in the carrying value of goodwill assigned to its subsidiary Bank as of December 31, 2007.

Market conditions have deteriorated since the end of 2007 with real estate activity and resulting valuations becoming increasingly stressed and exposing areas of risk for which the Company has had reduced clarity. Management has evaluated the carrying value of its goodwill in light of these new market conditions and believes that there is no impairment in the goodwill assigned to its subsidiary Bank at June 30, 2008. Management's determination regarding potential impairment was based on estimates of the fair value of the subsidiary Bank, using valuation methods based largely on multiples of its earnings. While the subsidiary Bank's earnings have been impacted by market conditions and weaker than normal credit quality, the Bank's earnings and the corresponding multiples indicate that there is no impairment at the end of the second quarter of 2008.

## Note 7 - Weighted Average Shares Outstanding

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

|                                            | For the Three Months<br>Ended June 30, |        | For the Six Months<br>Ended June 30, |        |
|--------------------------------------------|----------------------------------------|--------|--------------------------------------|--------|
|                                            | 2008                                   | 2007   | 2008                                 | 2007   |
|                                            | (share data in<br>thousands)           |        | (share data in<br>thousands)         |        |
| Basic shares outstanding                   | 13,511                                 | 13,486 | 13,504                               | 13,465 |
| Plus: Dilutive effect of ISOs              | 39                                     | 170    | 44                                   | 182    |
| Plus: Dilutive effect of Restricted Grants | 13                                     | 7      | 13                                   | 18     |
| Diluted shares outstanding                 | 13,563                                 | 13,663 | 13,561                               | 13,665 |



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## Note 8 – 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 June 30, 2008, total other borrowings amounted to \$133.0 million compared to \$105.5 million at June 30, 2007. The majority of these balances are comprised in the Company's borrowing relationship with the FHLB of Atlanta. Total borrowings at the FHLB were \$128.0 million and \$69.5 million at June 30, 2008 and 2007, respectively.

## Note 9 – Commitments and Contingencies

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

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

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

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

The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held may include accounts receivable, inventory, property, plant and equipment, residential real estate, and income-producing commercial properties 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)       | June 30,<br>2008 | June 30,<br>2007 |
|------------------------------|------------------|------------------|
| Commitments to extend credit | \$ 170,576       | \$ 206,590       |
| Standby letters of credit    | \$ 6,183         | \$ 6,719         |

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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.

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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.

|                                                       | 2008           |               |                | 2007          |                |
|-------------------------------------------------------|----------------|---------------|----------------|---------------|----------------|
| (in thousands, except share data, taxable equivalent) | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter |
| <b>Results of Operations:</b>                         |                |               |                |               |                |
| Net interest income                                   | \$ 19,056      | \$ 18,460     | \$ 19,248      | \$ 19,081     | \$ 18,330      |
| Net interest income (tax equivalent)                  | 19,514         | 18,814        | 19,009         | 19,257        | 18,722         |
| Provision for loan losses                             | 3,720          | 3,200         | 6,914          | 2,964         | 936            |
| Non-interest income                                   | 5,313          | 4,842         | 3,833          | 4,591         | 4,643          |
| Non-interest expense                                  | 15,961         | 15,640        | 15,502         | 15,170        | 13,780         |
| Net income                                            | 3,149          | 2,966         | 1,186          | 3,570         | 5,373          |
| <b>Selected Average Balances:</b>                     |                |               |                |               |                |
| Loans, net of unearned income                         | \$ 1,650,781   | \$ 1,617,991  | \$ 1,605,006   | \$ 1,569,906  | \$ 1,511,333   |
| Investment securities                                 | 307,304        | 291,708       | 297,380        | 299,925       | 301,848        |
| Earning assets                                        | 1,976,321      | 1,933,179     | 1,924,212      | 1,896,044     | 1,862,381      |
| Assets                                                | 2,141,940      | 2,115,561     | 2,112,579      | 2,069,715     | 2,030,018      |
| Deposits                                              | 1,764,067      | 1,748,961     | 1,725,383      | 1,695,239     | 1,693,020      |
| Shareholders' equity                                  | 192,605        | 193,971       | 191,124        | 187,290       | 185,177        |
| <b>Period-End Balances:</b>                           |                |               |                |               |                |
| Loans, net of unearned income                         | \$ 1,678,147   | \$ 1,622,437  | \$ 1,614,048   | \$ 1,593,014  | \$ 1,556,862   |
| Earning assets                                        | 2,009,873      | 1,924,415     | 1,917,240      | 1,917,901     | 1,873,846      |
| Total assets                                          | 2,193,021      | 2,118,243     | 2,112,063      | 2,103,139     | 2,049,073      |
| Total deposits                                        | 1,770,861      | 1,784,291     | 1,757,265      | 1,707,855     | 1,695,185      |
| Shareholders' equity                                  | 192,555        | 196,308       | 191,249        | 188,596       | 184,099        |
| <b>Per Common Share Data:</b>                         |                |               |                |               |                |
| Basic earnings per share                              | \$ 0.23        | \$ 0.22       | \$ 0.09        | \$ 0.26       | \$ 0.40        |
| Diluted earnings per share                            | 0.23           | 0.22          | 0.09           | 0.26          | 0.39           |
| Book value per share                                  | 14.20          | 14.48         | 14.12          | 13.93         | 13.60          |
| End of period shares outstanding                      | 13,564,032     | 13,556,770    | 13,539,985     | 13,539,195    | 13,541,476     |
| <b>Weighted average shares outstanding</b>            |                |               |                |               |                |
| Basic                                                 | 13,510,907     | 13,497,344    | 13,485,765     | 13,501,663    | 13,485,683     |
| Diluted                                               | 13,563,032     | 13,559,761    | 13,573,626     | 13,620,069    | 13,663,072     |
| <b>Market Price:</b>                                  |                |               |                |               |                |
| High Closing Price                                    | 16.26          | 16.41         | 18.67          | 23.05         | 25.58          |

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|                                      |        |        |        |        |        |
|--------------------------------------|--------|--------|--------|--------|--------|
| Low Closing Price                    | 8.70   | 12.49  | 13.73  | 17.72  | 21.76  |
| Closing Price for Quarter            | 8.70   | 16.06  | 16.85  | 18.08  | 22.47  |
| Trading volume (avg daily)           | 62,739 | 61,780 | 51,604 | 50,547 | 38,941 |
| Cash dividends per share             | 0.14   | 0.14   | 0.14   | 0.14   | 0.14   |
| Price to earnings                    | 9.45   | 18.25  | 15.18  | 12.38  | 14.40  |
| Price to book value                  | 0.61   | 1.11   | 1.19   | 1.30   | 1.65   |
| Performance Ratios:                  |        |        |        |        |        |
| Return on average assets             | 0.59%  | 0.56%  | 0.23%  | 0.68%  | 1.06%  |
| Return on average equity             | 6.58%  | 6.15%  | 2.48%  | 7.56%  | 11.64% |
| Loans/Deposits (average)             | 93.58% | 92.51% | 93.02% | 92.61% | 89.27% |
| Net interest margin (tax equivalent) | 3.96%  | 3.91%  | 3.92%  | 4.03%  | 4.03%  |
| Equity/Assets (average)              | 8.99%  | 9.27%  | 9.06%  | 9.04%  | 9.12%  |
| Efficiency ratio                     | 65.50% | 67.12% | 67.21% | 64.08% | 59.98% |

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### 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 June 30, 2008 as compared to December 31, 2007 and operating results for the three-month and six-month periods ended June 30, 2007. 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 June 30, 2008 and 2007

#### Consolidated Earnings and Profitability

Ameris reported net income of \$3.1 million, or \$0.23 per share, for the quarter ended June 30, 2008, compared to net income for the same quarter in 2007 of \$5.4 million, or \$0.39 per share. The Company's return on average assets and average shareholders' equity declined in the second quarter of 2008 to 0.59% and 6.58%, respectively, compared to 1.06% and 11.64% in the second quarter of 2007. Declines in credit quality and lower net interest margins were the primary reasons for the declines in earnings and profitability levels.

#### Net Interest Income and Margins

Net interest income for the second quarter of 2008 was \$19.0 million, a 3.9% increase compared to the same quarter in 2007. While the Company's net interest income increased slightly, the net interest margin declined reflecting the recent declines in short-term rates. The Company's net interest margin declined to 3.96% at the end of the second quarter compared to 4.03% in the same period of 2007.

Interest income during the second quarter of 2008 was \$32.2 million compared to \$35.8 million in the same quarter of 2007. Yields on earning assets also fell, declining from 7.80% in the second quarter of 2007 to 6.64% in the second quarter of 2008. Yields on loans led overall yields lower, declining to 6.97% in the second quarter compared to 8.46% in the same period in 2007. Declines in loan yields were primarily related to declines in variable loans as fixed rate loans declined only marginally. At the end of the second quarter, yields on the Company's variable loan portfolio had decreased to 5.99%, compared to 8.75% for the same quarter of 2007. When compared to the second quarter of 2007, yields on fixed rate loans in the second quarter of 2008 declined to 7.69% from 8.14%. Fixed rate loans account for approximately 47.60% of the total portfolio.

Interest expense also declined significantly, offsetting the majority of declines in interest income. Total interest expense in the second quarter of 2008 amounted to \$13.2 million, reflecting a decline of 24.66% from the same quarter in 2007. The Company's cost of funding declined to 2.74% in the current quarter from 3.84% reported during the second quarter of 2007. Yields on the Company's CD portfolio declined to 4.26% in the second quarter of 2008 compared to 5.08% in the same quarter of 2007. In addition to CDs, the Company's non-deposit funding declined significantly. Yields on non-deposit borrowing in the second quarter of 2008 were 2.10% compared to 5.81% in the second quarter of 2007. Declines in the costs of non-deposit borrowings relate mostly to favorable structures in the Company's borrowings from the FHLB.

#### Provision for Loan Losses and Credit Quality

The Company's provision for loan losses during the second quarter of 2008 amounted to \$3.7 million compared to \$936,000 for the same quarter of 2007. The increase in the provision was related to continued credit quality declines in several of the Bank's markets. Non-performing assets as a percentage of loans and OREO increased to 2.09% at June 30, 2008 compared to 1.17% at June 30, 2007. A severe slowdown in real estate activity (sales and valuations) centered primarily in our north Florida markets has exposed weaker borrowers and stressed the financial condition of stronger borrowers. Strengthening the underlying controls and risk management systems around credit quality has been a priority for the past several quarters and continues today. These efforts compound the efforts already underway to remove weaker borrowers from the balance sheet and to aggressively work non-performing assets. The

Company believes that these efforts will ultimately yield to a moderating and improving trend on credit quality but understands that a stronger real estate market is required.

Net charge-offs in the second quarter of 2008 amounted to \$3.1 million, or annualized 0.75% of total loans compared to \$1.0 million, or 0.26%, in the second quarter of 2007. Net charge-offs in the second quarter of 2008 were centered in our north Florida markets on loans that were identified as weaker credits or loans with deficiencies prior to December 31, 2007.

#### Noninterest Income

Noninterest income in the second quarter of 2008 increased to \$5.3 million from \$4.6 million in the same quarter of 2007. Service charges on deposit accounts increased approximately \$598,000 to \$3.7 million in the current quarter. These increases were primarily the result of significantly more transaction accounts becoming subject to fees and charges and continued efforts to increase service charges where appropriate. In addition to increases in service charges, income from mortgage banking activities increased 7.0% to \$855,000. Increases in mortgage related income was primarily the result of continued expansion in the Company's staff of producers in the second half of 2007.

#### Noninterest Expense

Noninterest expenses in the second quarter of 2008 increased to \$16.0 million compared to \$13.8 million in the same quarter of 2007. Salaries and benefits increased 15.58% to \$8.7 million during the second quarter when compared to the same period a year ago. The Company's continued expansion in South Carolina and Jacksonville, Florida contributed to a larger than normal 22.4% increase in premises and equipment expense to end the quarter at \$2.1 million. Other operating expenses increased approximately \$604,000 to \$4.3 million in the second quarter of 2008 when compared to the second quarter of 2007. These increases are the result of increased expenses associated with non-performing assets as well as increases in advertising and marketing expenses.

#### Income taxes

Income taxes in the second quarter amounted to \$1.5 million, an effective rate of 32.8%, compared to \$2.9 million and 34.9%, respectively, in the same quarter of 2007.

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### Results of Operations for the Six Months Ended June 30, 2008 and 2007

#### Interest Income

Interest income for the six months ended June 30, 2008 was \$66.3 million, a decline of 6.9%, compared to \$71.2 million for the same period in 2007. Average earning assets for the six month period increased 5.6%, to \$1.95 billion as of June 30, 2008 compared to \$1.85 billion as of June 30, 2007. Yield on average earning assets declined 92 basis points to 6.91% from 7.83% for the six months ended June 30, 2008 and 2007, respectively.

#### Interest Expense

Total interest expense for the six months ended June 30, 2008 amounted to \$28.8 million, reflecting a decline of 16.4% from the same period of 2007. During the six month period ended June 30, 2008, the Company's cost of funding declined to 3.02% from 3.81% reported in the previous year. In the same period, yields on the Company's CD portfolio fell to 4.52% compared to 5.06% for the six months period ended June 30, 2008. The Company's non-deposit funding declined significantly to 2.93% from 5.75% in the first half of 2007.

#### Net Interest Income

Net interest income for the six months ended June 30, 2008 increased \$767,000, or 2.0%, to \$37.5 million compared to \$36.7 million for the same period ending June 30, 2007. The Company's net interest margin decreased to 3.94% for the six months ended June 30, 2008 compared to 4.07% as of June 30, 2007.

#### Provision for Loan Losses

The provision for loan losses rose notably to \$6.9 million for the six months ended June 30, 2007 compared to \$1.4 million in the same period in 2007. Total non-performing assets increased to \$35.1 million at June 30, 2008 from \$18.2 million at June 30, 2007. For the six month period ending June 30, 2008, Ameris had net charge-offs of \$5.9 million compared to \$1.3 million for the same period in 2007.

#### Noninterest Income

Noninterest income for the first six months of 2008 rose \$988,000, or 10.7%, to \$10.2 million, compared to the year ago period. Service charges on deposit accounts increased 17.5%, or \$1.0 million, to end the six month period at \$7.0 million. Mortgage banking activities include origination fees, service release premiums and gain on the sales of mortgage loans held-for-sale. Mortgage banking activities for the six months ended June 30, 2008 totaled \$1.7 million, an increase of \$243,000, or 16.4%, compared to mortgage banking activities of \$1.5 million in the six months ended June 30, 2007.

#### Noninterest Expense

Non-interest expense for the first six months of 2008 was \$31.6 million. This represents a \$3.3 million increase over the prior year period which totaled \$28.2 million. Salaries and employee benefits of \$17.2 million for the six months ended June 30, 2008 were \$2.0 million higher than the \$15.2 million reported for the same period in 2007. The majority of this increase is attributable to new hires across the Company's growth markets. Occupancy and equipment expense increased \$701,000 to \$4.1 million for the six months ended June 30, 2008 compared to the same period of 2007 as a result of new branch offices, primarily in South Carolina and Jacksonville, Florida. Marketing and advertising expense increased during the first half of 2008 to \$1.2 million, an increase of approximately \$700,000 when compared to the same period in 2007. This increase relates to aggressive marketing campaigns in new and existing markets and is partially the cause of increases in mortgage and service charge revenues. At the end of the first six months of 2008, collection expense related to problem loans more than doubled to \$520,000 from \$200,000 from the same period ended June 30, 2007.

#### Income Taxes

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For the six months ended June 30, 2008 and 2007, the provision for taxes was \$3.0 million and \$5.9 million, respectively. The effective tax rate for the six months ended June 30, 2008 was 33.1% compared to 36.0% for the same period in 2007. The amount of income tax expense is influenced by the amount of taxable income and the amount of tax-exempt income. Decreases in the tax expense directly correspond to the decrease in taxable income reported at the end of the first six months of 2008 compared to the first six months of 2007.

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The Company's short-term investments are comprised of federal funds sold and interest bearing balances. At June 30, 2008, the Company's short-term investments were \$38.1 million, compared to \$12.0 million and \$16.3 million at December 31, 2007 and June 30, 2007, respectively. These balances have historically been distributed between deposits held by the Federal Home Loan Bank, IPS balances and bank owned CDs. Due to the interest rate environment, the Company has moved from having approximately 28-23% of short-term investments in IPS to have zero IPS balances at June 30, 2008. The type and amount of total short-term investments has changed as Management shifted earning assets into higher yielding instruments.

**Other Borrowings**

At June 30, 2008, total other borrowings amounted to \$133.0 million compared to \$90.5 million and \$105.5 million at December 31, 2007 and June 30, 2007, respectively. The majority of these balances are comprised in the Company's borrowing relationship with the FHLB of Atlanta. Total borrowings at the FHLB were \$128.0 million, \$85.5 million and \$69.5 million at June 30, 2008, December 31, 2007 and June 30, 2007, respectively. Due to changes in the interest rate environment, the Company has been shifting its sources of leverage in an attempt to adjust the Company's borrowings into the most favorable position, which has resulted in the change of the three periods.

**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 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 for the Bank are set forth in the table below along with the actual ratios at June 30, 2008 and 2007.

|                                          | Well<br>Capitalized<br>Requirement | Adequately<br>Capitalized<br>Requirement | June 30,<br>2008<br>Actual | June 30,<br>2007<br>Actual |
|------------------------------------------|------------------------------------|------------------------------------------|----------------------------|----------------------------|
| Tier 1 Capital (to Average Assets)       | ≥5%                                | ≥4%                                      | 8.55%                      | 8.59%                      |
| Tier 1 Capital (to Risk Weighted Assets) | ≥6%                                | ≥4%                                      | 10.24%                     | 10.74%                     |
| Total Capital (to Risk Weighted Assets)  | ≥10%                               | ≥8%                                      | 11.50%                     | 11.99%                     |

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Loans and Allowance for Loan Losses

At June 30, 2008, gross loans outstanding were \$1.68 billion, an increase of \$121.3 million, or 7.8%, over gross loans at June 30, 2007. 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 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 & 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 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.



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For the six month period ending June 30, 2008, the Company recorded net charge-offs totaling \$5.9 million compared to \$1.2 million for the same period in 2007. The provision for loan losses for the six months ended June 30, 2008 and 2007 was \$6.9 million and \$1.4 million, respectively. The allowance for loan losses totaled \$28.6 million, or 1.71% of total loans at June 30, 2008, compared to \$25.0 million, or 1.61% of total loans at June 30, 2007.

The following table presents an analysis of the allowance for loan losses for the six month periods ended June 30, 2008 and 2007:

| (dollars in thousands)                                            | June 30,<br>2008 | June 30,<br>2007 |
|-------------------------------------------------------------------|------------------|------------------|
| Balance of allowance for loan losses at beginning of period       | \$ 27,640        | \$ 24,863        |
| Provision charged to operating expense                            | 6,920            | 1,444            |
| Charge-offs:                                                      |                  |                  |
| Commercial, financial & agricultural                              | 673              | 404              |
| Real estate – residential                                         | 1,574            | 574              |
| Real estate – commercial & farmland                               | 348              | 504              |
| Real estate – construction & development                          | 3,624            | 405              |
| Consumer installment                                              | 527              | 228              |
| Other                                                             | -                | -                |
| Total charge-offs                                                 | 6,745            | 2,114            |
| Recoveries:                                                       |                  |                  |
| Commercial, financial & agricultural                              | 120              | 453              |
| Real estate – residential                                         | 115              | 67               |
| Real estate – commercial & farmland                               | 99               | 101              |
| Real estate – construction & development                          | 356              | 1                |
| Consumer installment                                              | 154              | 217              |
| Other                                                             | -                | -                |
| Total recoveries                                                  | 845              | 839              |
| Net charge-offs                                                   | 5,900            | 1,275            |
| Balance of allowance for loan losses at end of period             | \$ 28,660        | \$ 25,032        |
| Net annualized charge-offs as a percentage of average loans       | 0.70%            | 0.16%            |
| Reserve for loan losses as a percentage of loans at end of period | 1.71%            | 1.61%            |

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## 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 \$9.7 million during the quarter ending June 30, 2008 when compared to the quarter ending December 31, 2007, to end at \$35.1 million .. Non-performing assets as a percentage of loans and repossessed collateral were 2.09% and 1.57% at June 30, 2008 and December 31, 2007, respectively.

Slowing real estate activity in some of the Company's markets has altered the Company's risk profile. These markets are centered primarily in northern Florida and include Jacksonville, Gainesville and Crawfordville, Florida. Deteriorating credit quality has been the result of development or construction loans in areas where there was significant speculation on real estate. As the speculation diminished and secondary market liquidity became more scarce, many of the planned projects were slower to develop or sell. Certain borrowers did not have the liquidity necessary to withstand a severe downturn in the market place but do have sufficient equity in the project that ultimately limits the Company's potential loss. The Company anticipates continued stress on its borrowers in these markets until real estate activity increases.

Non-performing assets were as follows:

|                                                    | June 30,<br>2008 | December<br>31, 2007 |
|----------------------------------------------------|------------------|----------------------|
| (dollars in thousands)                             |                  |                      |
| Total nonaccrual loans                             | \$ 32,106        | \$ 18,468            |
| Accruing loans delinquent 90 days or more          | -                | -                    |
| Other real estate owned and repossessed collateral | 3,032            | 6,991                |
| Total non-performing assets                        | \$ 35,138        | \$ 25,459            |

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## Commercial Lending Practices

On December 12, 2006, the Federal Bank Regulatory Agencies released guidance on Concentration in Commercial Real Estate Lending. This guidance defines 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:

(a) 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

(b) 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 will need 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 June 30, 2008, the Company exhibited a concentration in commercial real estate (CRE) loans. The primary risks of CRE lending are:

(a) 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;

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

(c) 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 June 30, 2008 and December 31, 2007.

| (dollars in thousands)           | June 30, 2008 |                        | December 31, 2007 |                        |
|----------------------------------|---------------|------------------------|-------------------|------------------------|
|                                  | Balance       | % of<br>Total<br>Loans | Balance           | % of<br>Total<br>Loans |
| Construction & development loans | \$ 373,033    | 22%                    | \$ 383,317        | 24%                    |
| Multi-family loans               | 26,361        | 2%                     | 33,606            | 2%                     |
| Nonfarm non-residential loans    | 520,730       | 31%                    | 495,672           | 31%                    |
| Total CRE Loans                  | \$ 920,124    | 55%                    | \$ 912,595        | 57%                    |
| All other loan types             | 758,023       | 45%                    | 701,453           | 43%                    |
| Total Loans                      | \$ 1,678,147  | 100%                   | \$ 1,614,048      | 100%                   |

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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 June 30, 2008 and December 31, 2007.

|                                                                          | Internal<br>Limit | June<br>30,<br>2008<br>Actual | December<br>31, 2007<br>Actual |
|--------------------------------------------------------------------------|-------------------|-------------------------------|--------------------------------|
| Construction & development                                               | 200%              | 174%                          | 191%                           |
| Construction & development, multi-family and non-farm<br>non-residential | 400%              | 368%                          | 382%                           |

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## Other Real Estate Owned

For the three months ended June 30, 2008, the Company sold 14 foreclosed assets with an aggregate estimated value of \$4.3 million. Approximately 70% of the foreclosed assets sold were higher risk construction and development properties. During the same period, the Company foreclosed on 12 properties with an aggregate estimated value of \$1.8 million. Approximately 75% of the newly foreclosed assets were construction and development properties.

The following is a summary of other real estate activity for the six month period ending June 30, 2008:

(dollars in thousands)

|                                                         |          |
|---------------------------------------------------------|----------|
| Balance as of December 31, 2007                         | \$ 6,991 |
| Write-down                                              | (1,384)  |
| Sale of 30 construction & development properties        | (7,572)  |
| Sale of 10 residential properties                       | (2,701)  |
| Sale of 1 non-farm property                             | (60)     |
| Foreclosure on 27 construction & development properties | 7,371    |
| Foreclosure on 1 farmland property                      | 25       |
| Foreclosure on 4 residential properties                 | 197      |
| Foreclosure on 1 non-farm property                      | 165      |
| Balance as of June 30, 2008                             | \$ 3,032 |

The following is an inventory of other real estate as of June 30, 2008:

(dollars in thousands)

|                               | Number | Carrying Amount |
|-------------------------------|--------|-----------------|
| Construction & Development    | 18     | \$ 2,696        |
| Farmland                      | 1      | 25              |
| 1-4 Residential               | 3      | 116             |
| Non-Farm Non-Residential      | 2      | 195             |
| Total Other Real Estate Owned | 24     | \$ 3,032        |

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### 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 June 30, 2008, there were \$128.0 million in advances outstanding with the Federal Home Loan Bank and there were \$5 million in advances outstanding on the Company's line of credit held with a corresponding bank.

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

June 30,

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|                                                        | June 30,<br>2008 | March 31,<br>2008 | December<br>31,<br>2007 | September<br>30, 2007 | 2007   |
|--------------------------------------------------------|------------------|-------------------|-------------------------|-----------------------|--------|
| Total securities to total deposits                     | 16.58%           | 16.68%            | 16.57%                  | 17.68%                | 17.73% |
| Total loans (net of unearned income) to total deposits | 94.76%           | 90.93%            | 91.85%                  | 93.26%                | 91.82% |
| Interest-earning assets to total assets                | 91.65%           | 90.85%            | 90.78%                  | 91.10%                | 91.31% |
| Interest-bearing deposits to total deposits            | 88.65%           | 88.81%            | 88.77%                  | 89.12%                | 88.30% |

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 June 30, 2008 were considered satisfactory. The Company is aware of no events or trends likely to result in a material change in liquidity.

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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 June 30, 2008, 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 Part I, Item 2 of this report.

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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 June 30, 2008, 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.

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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, 2007.

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

None.

Item 3. Defaults upon Senior Securities

None.

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Item

4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of the Shareholders of the Company was held on April 29, 2008. The proposals set forth below were voted on at the Annual Meeting, with the following results:

1. The following director nominees were elected by a plurality vote to serve as Class II directors until the annual meeting to be held in 2011:

| Nominee         | For        | Authority Withheld |
|-----------------|------------|--------------------|
| J. Raymond Fulp | 10,471,049 | 122,591            |
| Robert P. Lynch | 10,480,767 | 112,873            |
| Brooks Sheldon  | 10,485,556 | 108,084            |

The following director nominee was elected by a plurality vote to serve as a Class III director until the annual meeting to be held in 2009:

| Nominee       | For        | Authority Withheld |
|---------------|------------|--------------------|
| Jimmy D. Veal | 10,482,547 | 111,093            |

2. Ratification of the appointment of Mauldin & Jenkins, Certified Public Accountants, LLC, as the Company's independent accountants for the fiscal year ended December 31, 2007 by a vote of 10,509,171 for, 58,703 against, and 25,766 abstaining.

Each of the foregoing proposals was set forth and described in the Notice of Annual Meeting and Proxy Statement of the Company dated March 28, 2008. A shareholder proposal regarding a request that the Board of Directors of the Company take the necessary steps to declassify the Board was also included in that Notice of Annual Meeting and Proxy Statement but was not presented at the Annual Meeting by or on behalf of the shareholder, and no vote was taken with respect to such proposal.

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.



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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: August 7, 2008

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

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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 August 14, 1987).       |
| 3.2         | Amendment to Amended Articles of Incorporation (incorporated by reference to Exhibit 3.1.1 to Ameris Bancorp's Form 10-K filed March 28, 1996).                                                 |
| 3.3         | Amendment to Amended Articles of Incorporation (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 (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 (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 (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 (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         | Amended and Restated Bylaws (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                                                                                                                             |

