

Ameris Bancorp  
Form 10-Q  
May 09, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 2054  
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 **March 31, 2007**

OR

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

Commission File Number: **001-13901**

**AMERIS BANCORP**

(Exact name of registrant as specified in its charter)

**GEORGIA**

(State of incorporation)

**58-1456434**

(IRS Employer ID No.)

**24 SECOND AVE., SE MOULTRIE, GA 31768**

(Address of principal executive offices)

**(229) 890-1111**

(Registrant's telephone number)

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

**There were 13,536,736 shares of Common Stock outstanding as of May 1, 2007.**



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

|  | (Unaudited)<br>March 31<br>2007 | (Audited)<br>December 31<br>2006 | (Unaudited)<br>March 31<br>2006 |
|--|---------------------------------|----------------------------------|---------------------------------|
| <b>Assets</b>  |                                 |                                  |                                 |
| Cash and due from banks  | \$ 49,640                       | \$ 66,856                        | \$ 67,570                       |
| Federal funds sold & interest bearing deposits   | 94,496                          | 135,232                          | 56,998                          |
| Securities available for sale, at fair value   | 300,322                         | 283,192                          | 273,031                         |
| Loans  | 1,475,869                       | 1,442,951                        | 1,240,436                       |
| Less: allowance for loan losses  | 25,113                          | 24,863                           | 22,616                          |
| Loans, Net   | 1,450,756                       | 1,418,088                        | 1,217,820                       |
| Premises and equipment, net  | 47,251                          | 46,604                           | 40,194                          |
| Intangible assets, net   | 5,775                           | 6,099                            | 6,203                           |
| Goodwill   | 54,419                          | 54,365                           | 43,304                          |
| Other assets   | 33,754                          | 37,106                           | 33,771                          |
|  | \$ 2,036,413                    | \$ 2,047,542                     | \$ 1,738,891                    |
| <b>Liabilities and Stockholders' Equity</b>  |                                 |                                  |                                 |
| Deposits:  |                                 |                                  |                                 |
| Noninterest-bearing demand   | \$ 197,845                      | \$ 221,592                       | \$ 193,869                      |
| Interest-bearing demand  | 574,089                         | 545,564                          | 423,682                         |
| Savings  | 64,182                          | 63,255                           | 73,532                          |
| Time deposits  | 876,391                         | 879,752                          | 730,023                         |
| Total deposits   | 1,712,507                       | 1,710,163                        | 1,421,106                       |
| Federal funds purchased & securities sold under agreements to repurchase   | 5,370                           | 15,933                           | 8,502                           |
| Other borrowings   | 75,500                          | 75,500                           | 100,095                         |
| Other liabilities  | 18,003                          | 24,945                           | 17,036                          |
| Subordinated deferrable interest debentures  | 42,269                          | 42,269                           | 40,722                          |
| Total liabilities  | 1,853,649                       | 1,868,810                        | 1,587,461                       |
| <b>Stockholders' equity</b>  |                                 |                                  |                                 |
| Common stock, par value \$1; 30,000,000 shares authorized; 14,850,237, 14,850,237 and 14,286,041 shares issued at March 31, 2007, December 31, 2006 and March 31, 2006, respectively | 14,850                          | 14,850                           | 14,286                          |
| Capital surplus  | 81,620                          | 81,481                           | 67,097                          |
| Retained earnings  | 98,631                          | 95,523                           | 83,970                          |
| Accumulated other comprehensive income   | (1,744)                         | (2,529)                          | (3,442)                         |
|  | 193,357                         | 189,325                          | 161,911                         |
|  | (10,593)                        | (10,593)                         | (10,481)                        |

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Treasury stock, at cost, 1,322,717, 1,322,717  
and 1,318,465 shares at March 31, 2007,  
December 31, 2006 and March 31, 2006,  
respectively

|                            |                     |              |              |
|----------------------------|---------------------|--------------|--------------|
| Total stockholders' equity | <b>182,764</b>      | 178,732      | 151,430      |
|                            | <b>\$ 2,036,413</b> | \$ 2,047,542 | \$ 1,738,891 |

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>March 31, |                 |
|--|---------------------------------|-----------------|
|  | 2007                            | 2006            |
| <b>Interest income</b>   |                                 |                 |
| Interest and fees on loans   | \$ 30,760                       | \$ 23,476       |
| Interest on taxable securities   | 3,337                           | 2,742           |
| Interest on nontaxable securities  | 179                             | 98              |
| Interest on deposits in other banks  | 1,042                           | 667             |
| Interest on federal funds sold   | 91                              | 158             |
|  | <b>35,409</b>                   | <b>27,141</b>   |
| <b>Interest expense</b>  |                                 |                 |
| Interest on deposits   | 15,205                          | 8,628           |
| Interest on federal funds purchased and securities sold under agreements to repurchase | 59                              | 33              |
| Interest on other borrowings   | 1,727                           | 2,088           |
|  | <b>16,991</b>                   | <b>10,749</b>   |
| Net interest income  | <b>18,419</b>                   | <b>16,392</b>   |
| <b>Provision for loan losses</b>   | <b>507</b>                      | <b>510</b>      |
| Net interest income after provision for loan losses                                    | <b>17,911</b>                   | <b>15,882</b>   |
| <b>Other income</b>  |                                 |                 |
| Service charges on deposit accounts  | 2,870                           | 2,631           |
| Mortgage banking activities  | 683                             | 454             |
| Other  | 972                             | 800             |
| Gain (loss) on sale of securities  | -                               | 9               |
|  | <b>4,525</b>                    | <b>3,894</b>    |
| <b>Other expense</b>   |                                 |                 |
| Salaries and employee benefits   | 7,732                           | 6,624           |
| Equipment and occupancy expense  | 1,676                           | 1,353           |
| Amortization of intangible assets  | 324                             | 209             |
| Other operating expenses   | 4,712                           | 3,899           |
|  | <b>14,444</b>                   | <b>12,085</b>   |
| Income before income taxes   | <b>7,992</b>                    | <b>7,691</b>    |
| Applicable income taxes  | <b>2,968</b>                    | <b>2,591</b>    |
| <b>Net income</b>  | <b>\$ 5,024</b>                 | <b>\$ 5,100</b> |
| <b>Other comprehensive income, net of tax:</b>   | <b>\$ 785</b>                   | <b>\$ (811)</b> |

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|   |    |                   |                 |
|---|----|-------------------|-----------------|
| Unrealized holding losses arising during period, net of tax |    |                   |                 |
| Reclassification for gains included in net income           |    | -                 | (6)             |
|   | \$ | <b>5,809</b>      | \$ <b>4,283</b> |
| Income per common share-Basic                               | \$ | <b>0.37</b>       | \$ 0.39         |
| Income per common share-Diluted                             | \$ | <b>0.37</b>       | \$ 0.39         |
| Dividends declared per share                                | \$ | <b>0.14</b>       | \$ 0.14         |
| Average shares outstanding                                  |    | <b>13,443,850</b> | 12,951,765      |

See notes to unaudited consolidated financial statements.

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**AMERIS BANCORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31, 2007 AND 2006**  
(dollars in thousands)  
(Unaudited)

|  | 2007        |    | 2006     |
|--|-------------|----|----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |             |    |          |
| Net Income   | \$ 5,024    | \$ | 5,100    |
| Adjustments to reconcile net income to net cash provided by operating activities:          |             |    |          |
| Depreciation   | 769         |    | 629      |
| Provision for loan losses  | 507         |    | 510      |
| Amortization of intangible assets  | 324         |    | 209      |
| Other prepaids, deferrals and accruals, net  | (3,104)     |    | 1,686    |
| Net cash provided by operating activities  | 3,520       |    | 8,134    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |             |    |          |
| Net decrease in federal funds sold and interest bearing deposits                           | 40,736      |    | 42,783   |
| Proceeds from maturities of securities available for sale                                  | 8,818       |    | 8,268    |
| Purchase of securities available for sale  | (24,736)    |    | (50,110) |
| Proceeds from sales of securities available for sale                                       | -           |    | 3,956    |
| Net increase in loans  | (34,003)    |    | (54,023) |
| Purchases of premises and equipment  | (1,416)     |    | (2,447)  |
| Net cash used in investing activities  | (10,601)    |    | (51,573) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |             |    |          |
| Net increase in deposits   | 2,344       |    | 45,874   |
| Net decrease in federal funds purchased and securities sold under agreements to repurchase | (10,563)    |    | (1,805)  |
| Decrease in other borrowings   | -           |    | (5,927)  |
| Dividends declared   | (1,916)     |    | (1,813)  |
| Proceeds from exercise of stock options  | -           |    | 260      |
| Net cash provided by (used in) by financing activities                                     | (10,135)    |    | 36,589   |
| Net decrease in cash and due from banks  | \$ (17,216) | \$ | (6,850)  |
| Cash and due from banks at beginning of period   | 66,856      |    | 74,420   |
| Cash and due from banks at end of period   | \$ 49,640   | \$ | 67,570   |



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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2007**

**(Unaudited)**

**Note 1 - Basis of Presentation & Accounting Policies**

Ameris Bancorp, (the “Company” or “Ameris”) is a financial holding company headquartered in Moultrie, Georgia. Ameris conducts the majority of its operations through its wholly owned banking subsidiary, Ameris Bank (the “Bank”). Ameris Bank currently operates 46 branches in Georgia, Alabama, Northern Florida and South Carolina. Our business model capitalizes on the efficiencies of a billion dollar financial services company while still providing the community with the personalized banking service expected by our customers. We manage our Banks 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 ended March 31, 2007 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto and the report of our registered independent public accounting firm included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006.

**Note 2 - Recent Business Combinations**

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

**Note 3 - Investment Securities**

Ameris’s 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’s portfolio and investing philosophy concentrate activities in obligations where the credit risk is limited. For a small portion of Ameris’s 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.



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The amortized cost and estimated fair value of investment securities available for sale at March 31, 2007, December 31, 2006 and March 31, 2006 are presented below:

| (dollars in thousands)                | March 31, 2007 |                  |                   |                      |
|---------------------------------------|----------------|------------------|-------------------|----------------------|
|                                       | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| U. S. Government and federal agencies | \$ 112,248     | \$ 73            | \$ 987            | \$ 111,334           |
| State and municipal securities        | 19,178         | 34               | 481               | 18,731               |
| Corporate debt securities             | 9,829          | 62               | 49                | 9,842                |
| Mortgage backed securities            | 160,853        | 412              | 1,599             | 159,666              |
| Marketable equity securities          | 788            | 0                | 39                | 528                  |
|                                       | \$ 302,896     | \$ 581           | \$ 3,155          | \$ 300,322           |

| (dollars in thousands)                | December 31, 2006 |                  |                   |                      |
|---------------------------------------|-------------------|------------------|-------------------|----------------------|
|                                       | Amortized Cost    | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| U. S. Government and federal agencies | \$ 103,207        | \$ 31            | \$ (1,375)        | \$ 101,863           |
| State and municipal securities        | 19,364            | 42               | (472)             | 18,934               |
| Corporate debt securities             | 9,852             | 40               | (63)              | 9,829                |
| Mortgage-backed securities            | 153,768           | 194              | (2,144)           | 151,818              |
| Marketable equity securities          | 788               | 0                | (40)              | 748                  |
|                                       | \$ 286,979        | \$ 307           | \$ (4,094)        | \$ 283,192           |

| (dollars in thousands)                | March 31, 2006 |                  |                   |                      |
|---------------------------------------|----------------|------------------|-------------------|----------------------|
|                                       | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| U. S. Government and federal agencies | \$ 108,559     | \$ 0             | \$ 2,055          | \$ 106,504           |
| State and municipal securities        | 10,397         | 19               | 195               | 10,221               |
| Corporate debt securities             | 7,101          | 44               | 85                | 7,060                |
| Mortgage-backed securities            | 151,621        | 58               | 2,943             | 148,736              |
| Marketable equity securities          | 567            | 0                | 59                | 509                  |
|                                       | \$ 278,247     | \$ 121           | \$ 5,336          | \$ 273,031           |

**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's control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio. Of the target areas of lending activities, commercial and financial loans are generally considered to have a greater risk of loss than real estate loans or consumer installment loans.



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The Company evaluates loans for impairment when a loan is risk rated as substandard or doubtful. The Company measures impairment based upon the present value of the loan's expected future cash flows discounted at the loan's effective interest rate, except where foreclosure or liquidation is probable or when the primary source of repayment is provided by real estate collateral. In these circumstances, impairment is measured based upon the estimated fair value of the collateral. In addition, in certain circumstances, impairment may be based on the loan's observable estimated fair value. Impairment with regard to substantially all of Ameris's impaired loans has been measured based on the estimated fair value of the underlying collateral. The Company's policy for recognizing interest income on impaired loans is consistent with its nonaccrual policy. At the time the contractual payments on a loan are deemed to be uncollectible, Ameris's policy is to record a charge-off against the allowance for loan losses.

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

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

| (dollars in thousands)            | March 31, 2007 | December 31,<br>2006 | March 31, 2006 |
|-----------------------------------|----------------|----------------------|----------------|
| Commercial and financial          | \$ 177,647     | \$ 174,852           | \$ 152,573     |
| Agricultural                      | 35,576         | 33,980               | 30,903         |
| Real estate-construction          | 354,795        | 340,325              | 241,506        |
| Real estate-mortgage, farmland    | 91,451         | 91,650               | 75,826         |
| Real estate-mortgage, commercial  | 413,316        | 397,837              | 350,280        |
| Real estate-mortgage, residential | 340,920        | 339,843              | 324,267        |
| Consumer installment loans        | 56,861         | 59,422               | 60,975         |
| Other                             | 5,303          | 5,042                | 4,106          |
|                                   | \$ 1,475,869   | \$ 1,442,951         | \$ 1,240,436   |

**Table Of Contents****Note 5 - Allowance for Loan Losses**

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

| (dollars in thousands)                           | March 31, 2007 | December 31,<br>2006 | March 31, 2006 |
|--|----------------|----------------------|----------------|
| Balance, January 1                               | \$ 24,863      | \$ 22,294            | \$ 22,294      |
| Provision for loan losses charged to expense     | 507            | 2,837                | 510            |
| Loans charged off                                | (787)          | (3,198)              | (1419)         |
| Recoveries of loans previously charged off       | 530            | 1,906                | 1,231          |
| Allowance for loan losses of acquired subsidiary | -              | 1,024                | -              |
| Ending balance                                   | \$ 25,113      | \$ 24,863            | \$ 22,616      |

**Note 6 - Earnings per Share and Common Stock**

Earnings per share have been computed based on the following weighted average number of common shares outstanding for the three months ended March 31, 2007 and 2006:

|  | For the Three Months Ended March<br>31, |        |
|--|---|--------|
|  | 2007                                    | 2006   |
|  | (share data in thousands)               |        |
| Basic shares outstanding                   | 13,444                                  | 12,952 |
| Plus: Dilutive effect of ISOs              | 194                                     | 109    |
| Plus: Dilutive effect of Restricted Grants | 30                                      | 0      |
| Diluted shares outstanding                 | 13,668                                  | 13,061 |

**Note 7 - Stock-Based Compensation**

At March 31, 2007, the Company had stock-based compensation plans, which are more fully described in Note 15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2006. On January 1, 2006, Ameris adopted the fair value recognition provisions of FASB Statement No. 123(R), Share-Based Payment (SFAS 123(R)), using the modified prospective-transition method. Under that transition method, compensation cost recognized beginning in 2006 includes: (a) the compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FASB Statement Note 123, and (b) the compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R).

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A summary of the status of the employee stock option plans as of March 31, 2007 and December 31, 2006 is presented below.

|  | Period Ended<br>March 31, 2007 |   |   |   | Year Ended<br>December 31, 2006 |   |   |   |
|--|--------------------------------|---|---|---|---------------------------------|---|---|---|
|  | Number                         | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Contractual<br>Term | Aggregate<br>Remaining<br>Intrinsic<br>Value<br>(\$000) | Number                          | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Contractual<br>Term | Aggregate<br>Remaining<br>Intrinsic<br>Value<br>(\$000) |
| Under option,<br>beginning of the<br>period:                                       | 511,818                        | 15.88                                     |   |   | 459,235                         | 13.89                                     |   |   |
| Granted  | -                              | -   |   |   | 101,750                         | 21.38                                     |   |   |
| Exercised  | -                              | -   |   |   | (40,987)                        | 6.94                                      |   |   |
| Forfeited  | -                              | -   |   |   | (8,180)                         | 17.39                                     |   |   |
| Under option, end of<br>the period   | 511,818                        | 15.88                                     | 6.57  | \$ 4,402  | 511,818                         | 15.88                                     | 6.90  | \$ 6,413  |
| Exercisable at the end<br>of the period  | 288,137                        | 13.28                                     | 4.98  | \$ 3,227  | 286,217                         | 13.29                                     | 5.64  | \$ 4,259  |
| Weighted-average fair<br>value per option of<br>options granted during<br>the year |                                |   |   | n/a   |                                 |   |   | \$ 5.08   |

The fair value of the options granted was based upon the discounted value of future cash flows of the options using the Black-Scholes option-pricing model and the following assumptions. There were no options granted during the first quarter of 2007.

|                              | Year Ended<br>December 31,<br>2006 |
|------------------------------|------------------------------------|
| Risk-free interest rate      | 4.45% -<br>5.12%                   |
| Expected life of the options | 8 years                            |
| Expected dividend yield      | 1.96% -<br>2.70%                   |
| Expected volatility          | 16.51% -<br>20.28%                 |

A summary of the status of Ameris' nonvested shares as of December 31, 2006 and changes during the period ended March 31, 2007, is presented below:

| Shares<br>(000's) | Weighted-Average<br>Grant-Date |
|-------------------|--------------------------------|
|-------------------|--------------------------------|



**Fair Value**

|                                 |         |    |      |
|---------------------------------|---------|----|------|
| Nonvested at January 1, 2006    | 227,622 | \$ | 4.01 |
| Granted                         | -       |    |      |
| Vested                          | (1,920) |    | 2.47 |
| Forfeited                       | -       |    |      |
| Nonvested at September 30, 2006 | 225,702 | \$ | 4.00 |

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At March 31, 2007, there was \$837,000 of unrecognized compensation cost related to stock-based awards which is expected to be recognized over a period of approximately 3.1 years.

**Note 8 - Commitments, Contingencies and Contractual Obligations**

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 terms ranging from one to four years. 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:

| <b>(dollars in thousands)</b> | <b>March 31, 2007</b> | <b>March 31, 2006</b> |
|-------------------------------|-----------------------|-----------------------|
| Commitments to extend credit  | \$ 178,343            | \$ 182,348            |
| Standby letters of credit     | 7,335                 | 3,876                 |

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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.

**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 March 31, 2007 as compared to December 31, 2006 and operating results for the three-month period ended March 31, 2007 as compared to the three-month period ended March 31, 2006. These comments should be read in conjunction with the Company’s unaudited consolidated financial statements and accompanying notes appearing elsewhere herein.

The Company’s total assets decreased \$11.1 million, or 0.99%, since December 2006. Earning assets increased \$9.1 million or 0.49% during the same period. Short term assets (federal funds sold and interest bearing deposits in banks) decreased \$40.7 million due to an increase in loan demand and purchases of investment securities. Loans increased 2.3%, or \$32.9 million, since December 2006, while the investment portfolio increased \$16.9 million or 6.0%. Total deposits increased by 0.13%, or \$2.3 million, due primarily to continued emphasis on sales activities and the Company’s willingness to pay higher rates to acquire and maintain deposit balances.

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The growth in the balance sheet and earning assets contributed to solid growth in net interest income. Net interest income for the three months ended March 31, 2007 increased 12.2% to \$18.4 million from \$16.4 million for the three months ended March 31, 2006. This increase in interest income is the result of several factors, the most significant of which are the internal growth in earning assets, effective management of yields on earning assets and efforts to control the Company's cost of funds.

Return on average equity for the three months ended March 31, 2007 and 2006 was 11.22% and 13.59%, respectively, on average equity of \$181.6 million and \$151.4 million, respectively. Return on average assets for the three months ended March 31, 2007 and 2006 were 1.01% and 1.20%, respectively.

The following table sets forth unaudited selected financial data for the previous five quarters and for the three month periods ending March 31, 2007 and 2006. This data should be read in conjunction with the consolidated financial statements and the notes thereto and the information contained in this Item 2.

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|                                      | 2007          |                | 2006          |                |               |
|--------------------------------------|---------------|----------------|---------------|----------------|---------------|
|                                      | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | First Quarter |
| <b>Results of Operations:</b>        |               |                |               |                |               |
| Net interest income                  | \$ 18,418     | \$ 17,913      | \$ 17,897     | \$ 17,673      | \$ 16,392     |
| Net interest income (tax equivalent) | 18,565        | 18,065         | 18,046        | 17,716         | 16,495        |
| Provision for loan losses            | 507           | 713            | 713           | 901            | 510           |
| Non-interest income                  | 4,525         | 7,022          | 5,252         | 3,536          | 3,894         |
| Non-interest expense                 | 14,444        | 15,625         | 13,481        | 12,294         | 12,085        |
| Net income                           | 5,024         | 5,758          | 5,954         | 5,315          | 5,100         |
| <b>Selected Average Balances:</b>    |               |                |               |                |               |
| Loans, net of unearned income        | \$ 1,458,725  | \$ 1,377,824   | \$ 1,351,601  | \$ 1,289,354   | \$ 1,213,586  |
| Investment securities                | 292,979       | 272,769        | 266,450       | 270,842        | 265,680       |
| Earning assets                       | 1,837,001     | 1,776,925      | 1,682,425     | 1,585,473      | 1,549,065     |
| Assets                               | 2,014,040     | 1,946,772      | 1,851,073     | 1,733,204      | 1,723,891     |
| Deposits                             | 1,688,885     | 1,627,188      | 1,529,441     | 1,418,742      | 1,421,106     |
| Shareholders' equity                 | 181,645       | 169,135        | 155,922       | 152,329        | 151,430       |
| <b>Period-End Balances:</b>          |               |                |               |                |               |
| Loans, net of unearned income        | \$ 1,475,869  | \$ 1,442,951   | \$ 1,373,071  | \$ 1,330,713   | \$ 1,240,436  |
| Earning assets                       | 1,870,466     | 1,861,375      | 1,787,735     | 1,614,638      | 1,570,465     |
| Total assets                         | 2,036,413     | 2,047,542      | 1,945,904     | 1,783,344      | 1,738,891     |
| Deposits                             | 1,712,507     | 1,710,163      | 1,640,966     | 1,446,128      | 1,421,106     |
| Long-term obligations                | 117,769       | 112,769        | 118,556       | 124,094        | 100,095       |
| Shareholders' equity                 | 182,764       | 178,732        | 160,440       | 153,002        | 151,430       |
| <b>Per Common Share Data:</b>        |               |                |               |                |               |
| Earnings per share-Basic             | \$ 0.37       | \$ 0.44        | \$ 0.46       | \$ 0.41        | \$ 0.39       |
| Earnings per share - Diluted         | 0.37          | 0.43           | 0.45          | 0.40           | 0.39          |
| Book value per share                 | 13.51         | 13.24          | 12.31         | 11.75          | 11.68         |
| End of period shares outstanding     | 13,527,520    | 13,553,002     | 13,033,193    | 13,021,510     | 12,967,576    |
| Weighted average shares outstanding  |               |                |               |                |               |
| Basic                                | 13,443,850    | 13,044,493     | 13,022,400    | 12,985,424     | 12,951,765    |
| Diluted                              | 13,667,509    | 13,269,289     | 13,226,055    | 13,139,130     | 13,060,533    |
| <b>Market Price:</b>                 |               |                |               |                |               |
| High Closing Price                   | 28.32         | 28.18          | 27.21         | 23.14          | 23.26         |
| Low Closing Price                    | 23.25         | 29.13          | 27.91         | 23.24          | 23.29         |
| Closing Price for Quarter            | 24.48         | 25.90          | 21.09         | 20.23          | 19.71         |
| Trading volume (avg. daily)          | 41,130        | 23,016         | 36,957        | 21,949         | 15,952        |
| Cash dividends per share             | 0.14          | 0.14           | 0.14          | 0.14           | 0.14          |
| Price to earnings                    | 16.54         | 16.38          | 14.79         | 14.11          | 14.91         |
| Price to book value                  | 1.81          | 2.13           | 2.21          | 1.97           | 1.99          |
| <b>Performance Ratios:</b>           |               |                |               |                |               |
| Return on average assets             | 1.01%         | 1.17%          | 1.28%         | 1.23%          | 1.20%         |
| Return on average equity             | 11.22%        | 13.51%         | 15.15%        | 14.00%         | 13.59%        |

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|                                      |               |        |        |        |        |
|--------------------------------------|---------------|--------|--------|--------|--------|
| Avg. loans as % of avg. deposits     | <b>86.18%</b> | 84.68% | 88.37% | 90.88% | 87.96% |
| Net interest margin (tax equivalent) | <b>4.10%</b>  | 4.03%  | 4.26%  | 4.48%  | 4.32%  |
| Average equity to average assets     | <b>9.02%</b>  | 8.69%  | 8.42%  | 8.74%  | 8.80%  |
| Efficiency ratio                     | <b>62.95%</b> | 62.66% | 58.24% | 57.97% | 59.57% |

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**Results of Operations for the Three Months Ended March 31, 2007 and 2006**

***Interest Income***

Interest income for the three months ended March 31, 2007 was \$18.4 million, an increase of \$2.0 million, or 12.35%, compared to \$16.4 million for the same period in 2006. Average earning assets for the three month period increased \$287.9 million, or 18.59%, to \$1.8 billion as of March 31, 2007, compared to \$1.5 billion as of March 31, 2006. Yield on average earning assets increased to 7.85% from 7.13% for the quarters ended March 31, 2007 and 2006, respectively. The Company's increase in interest income is primarily attributable to higher levels in prevailing interest rates as well as continued growth from both internal sources and the acquisition of Islands Bancorp on December 31, 2006.

***Interest Expense***

Interest expense on deposits for the three months ended March 31, 2007 was \$15.2 million, an increase of \$6.6 million from March 31, 2006. Total funding costs for the Company (deposits and wholesale borrowings) increased \$6.2 million, or 58.0%, to \$16.9 million for the three months ended March 31, 2007, compared to \$10.7 million for the three months ended March 31, 2006. Total cost of funding for the Company increased substantially to 3.79% from 2.83% during the first quarter of 2006. The increase in the cost of funding relates mostly to an aggressive effort by the Company to seize market share in larger, growth oriented cities such as Jacksonville, Florida and Columbia, SC. This aggressive position on pricing new deposits sometimes influences existing balances and raises the cost of funding by more than just incremental inflows of deposits. The Company's focus has been largely centered on demand deposits (interest-bearing and non interest-bearing) which have increased to \$778.4 million or 26.0% from March 31, 2006.

***Net Interest Income***

Net interest income for the three months ended March 31, 2007 increased \$2.0 million or 12.2%, to \$18.4 million compared to the same quarter in 2006. The Company's net interest margin decreased over the same period from 4.32% during the first quarter of 2006 to 4.10% in the first quarter of 2007. The increase in net interest income relates to continued double digit growth in earning assets, offset somewhat by the lower net interest margins. Net interest margins in the first quarter of 2006 were unusually high for the Company as interest rates continued to move higher during the quarter and the Company's balance sheet had higher levels of asset sensitivity than management thought appropriate.

***Provision for Loan Losses***

The provision for loan losses was \$507 for the three months ended March 31, 2007, compared to \$510 for the same quarter in 2006. The amount of provision for loan losses is determined using the Company's methodology that grades each loan and determines the reserve necessary for the portfolio based on those grades. Management believes that the present allowance for loan losses is adequate at March 31, 2007.

**Table Of Contents*****Non-interest Income***

Non-interest income was \$4.5 million for the three months ended March 31, 2007, an increase of \$631,000 from reported amount in the first quarter of 2006. Service charges on deposit accounts increased 9.1% to \$2.8 million due to higher levels of demand deposits and higher fee structures implemented during the second half of 2006. Income from mortgage banking activities increased 50.4% to \$683,000 during the first quarter when compared to the same quarter in 2006. This increase in mortgage income relates mostly to the placement of additional mortgage loan officers in many of the Company's markets and increased sales effectiveness from existing mortgage officers from sales training and referral activity in the Bank.

***Non-interest Expense***

Non-interest expenses for the first quarter of 2007 were \$14.4 million, an increase of \$2.4 million from the first quarter of 2006. Salaries and employee benefits increased \$1.1 million to \$7.7 million during the quarter due to the recent acquisition of Islands Bancorp on December 31, 2006 as well as additional new hires across the Company's other growth markets. Occupancy increased slightly to \$1.7 million during the first quarter of 2007 from \$1.4 million during the same quarter in 2006. New offices, opened during the last half of 2006 in Jacksonville, Florida and Douglas, Georgia have contributed to higher levels of occupancy and equipment expenses. Other non-interest expenses increased approximately \$0.8 million to \$4.7 million in the first quarter of 2007. These increases relate mostly to increased advertising, marketing and telecommunications expenses associated with expansion efforts in South Carolina and Jacksonville, Florida.

***Income Taxes***

The amount of income tax expense is influenced by the amount of taxable income and the amount of tax-exempt income. For the three months ended March 31, 2007 and 2006, the provision for taxes was \$3.0 million and \$2.6 million, respectively. The effective tax rates for the three months ended March 31, 2007 and 2006 was 37.1% and 33.7%, respectively.

***Capital***

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

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

The minimum requirements established by the regulators are set forth in the table below, along with the actual ratios at March 31, 2007 and 2006.

|  | <b>Well Capitalized Requirement</b> | <b>Adequately Capitalized Requirement</b> | <b>March 31, 2007 Actual</b> | <b>March 31, 2006 Actual</b> |
|--|-------------------------------------|---|------------------------------|------------------------------|
| Tier 1 Capital (to Average Assets)       | ≥5%                                 | ≥4%                                       | <b>8.45%</b>                 | 8.51%                        |
| Tier 1 Capital (to Risk Weighted Assets) | ≥6%                                 | ≥4%                                       | <b>10.95%</b>                | 11.05%                       |
| Total Capital (to Risk Weighted Assets)  | ≥10%                                | ≥8%                                       | <b>12.20%</b>                | 12.75%                       |



Management believes, as March 31, 2007, that the Company and the Banks met all capital requirements to which they are subject.

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**Loans and Allowance for Loan Losses**

At March 31, 2007, gross loans outstanding were \$1.48 billion, an increase of \$235.4 million, or 20%, over net loans at March 31, 2006. The growth in the loan portfolio was attributable to a consistent focus on quality loan production and expansion into faster growing markets over the past couple years. The Company constantly monitors the composition of the loan portfolio to evaluate the adequacy of the allowance for loan losses in light of the impact that changes in the economic environment may have on the loan portfolio.

The Company primarily focuses on the following loan categories: (1) commercial and financial, (2) real estate construction, (3) residential mortgage, (4) commercial real estate, (5) agricultural, and (6) consumer loans. The Company's management has strategically located its branches in South and Southeast Georgia, North Florida and Southeast Alabama 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 the level of loans in certain risk categories. These categories have also been established by management and take the form of loan grades. These loan grades include the following classifications: (10) prime credit, (20) satisfactory credit, (25) minimum acceptable credit, (30) other assets especially mentioned, (40) substandard, (45) troubled debt restructuring, (50) doubtful, and (60) loss. 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. Management also reviews charge-offs and recoveries on a monthly basis to identify trends.

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.

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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 debt 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 necessary. Historically, we believe our estimates of the level of allowance for loan losses required have been appropriate and our expectation is that the primary factors considered in the provision calculation will continue to be consistent with prior trends.

For the three month period ending March 31, 2007, the Company recorded net charge-offs totaling \$257,000 for the period compared to \$188,000 for the same period in 2006. The provision for loan losses for the three months ended March 31, 2007 and 2006 was \$507,000 and \$510,000 respectively. The allowance for loan losses totaled \$25.1 million, or 1.70% of total loans, March 31, 2007, compared to \$22.6 million, or 1.82% of total loans, at March 31, 2006.

The following table presents an analysis of the allowance for loan losses for the three month periods ended March 31, 2007 and 2006:

| (dollars in thousands)   | March 31, 2007 |        | March 31, 2006 |        |
|--|----------------|--------|----------------|--------|
| Balance of allowance for loan losses at beginning of period              | \$             | 24,863 | \$             | 22,294 |
| Provision charged to operating expense                                   |                | 507    |                | 510    |
| Charge-offs:   |                |        |                |        |
| Commercial   |                | 353    |                | 181    |
| Installment  |                | 146    |                | 163    |
| Real estate  |                | 288    |                | 1,005  |
| Agriculture  |                | 0      |                | 0      |
| Other  |                | 0      |                | 70     |
| Total charge-offs  |                | 787    |                | 1,419  |
| Recoveries:  |                |        |                |        |
| Commercial   |                | 357    |                | 636    |
| Installment  |                | 121    |                | 247    |
| Real estate  |                | 51     |                | 335    |
| Agriculture  |                | 0      |                | 0      |
| Other  |                | 0      |                | 13     |
| Total recoveries   |                | 530    |                | 1,231  |
| Net charge-offs (recoveries)   |                | 257    |                | 188    |
| Balance of allowance for loan losses at end of period                    | \$             | 25,113 | \$             | 22,616 |
| Net annualized (charge-offs) recoveries as a percentage of average loans |                | 0.07%  |                | 0.06%  |
| Reserve for loan losses as a percentage of loans at end of period        |                | 1.70%  |                | 1.82%  |

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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 were as follows:

| (dollars in thousands)                             | March 31, 2007 | December 31, 2006 |
|--|----------------|-------------------|
| Total nonaccrual loans                             | \$ 8,891       | \$ 6,877          |
| Accruing loans delinquent 90 days or more          | -              | -                 |
| Other real estate owned and repossessed collateral | 1,038          | 1,838             |
| Total non-performing assets                        | \$ 9,929       | \$ 8,715          |

**Interest Rate Sensitivity and Liquidity**

The Company's primary market risk exposures are credit, interest rate risk and to a lesser degree, liquidity risk. The Banks operate 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, two Bank presidents 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.



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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 Banks maintain relationships with correspondent banks, which could provide funds to them 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 Banks is equal to 20% of the Banks' total assets as reported on the most recent quarterly financial information submitted to the regulators subject to the pledging of sufficient collateral. At March 31, 2007, there were \$71.5 million in advances outstanding with the Federal Home Loan Bank.

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

|  | <b>March 31,<br/>2007</b> | <b>December 31,<br/>2006</b> | <b>September 31,<br/>2006</b> | <b>June 30,<br/>2006</b> | <b>March 31,<br/>2006</b> |
|--|---------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| Total securities to total deposits                     | <b>17.54%</b>             | 16.55%                       | 16.24%                        | 17.79%                   | 19.21%                    |
| Total loans (net of unearned income) to total deposits | <b>86.18%</b>             | 84.37%                       | 83.67%                        | 92.02%                   | 87.29%                    |
| Interest-earning assets to total assets                | <b>91.86%</b>             | 90.90%                       | 91.87%                        | 90.54%                   | 90.31%                    |
| Interest-bearing deposits to total deposits            | <b>88.45%</b>             | 87.04%                       | 86.17%                        | 86.07%                   | 86.36%                    |

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 Banks' liquidity ratios at March 31, 2007 were considered satisfactory. The Company is aware of no events or trends likely to result in a material change in liquidity.

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

The Company is exposed only to U. S. dollar interest rate changes, and, accordingly, the Company manages exposure by considering the possible changes in the net interest margin. The Company does not have any trading instruments nor does it classify any portion of the investment portfolio as held for trading. The Company does not engage in any hedging activities or enter into any derivative instruments with a higher degree of risk than mortgage backed securities. Finally, the Company has no exposure to foreign currency exchange rate risk, commodity price risk and other market risks.

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

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

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

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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 March 31, 2007, there was not any change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



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**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

None

**Item 1A. Risk Factors**

There have been no material changes to the risk factors disclosed in Item 1A. of Part 1 in our Form 10-K for the year ended December 31, 2006.

**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**

No matter was submitted to a vote of our security holders by solicitation of proxies or otherwise during the second quarter of 2006.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

The following are filed with or incorporated by reference into this report.

- |      |   |
|------|---|
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer |
| 32.1 | Section 1350 Certification by the Company's Chief Executive Officer             |
| 32.2 | Section 1350 Certification by the Company's Chief Financial Officer             |

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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: May 9, 2007

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

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**EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| <u>31.1</u>        | Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer |
| <u>31.2</u>        | Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer |
| <u>32.1</u>        | Section 1350 Certification by the Company's Chief Executive Officer             |
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