

Ameris Bancorp
Form 10-K/A
April 13, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1 ON

FORM 10-K/A

**** ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

or

**** TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission File Number

001-13901

AMERIS BANCORP

(Exact name of registrant as specified in its charter)

GEORGIA
(State of incorporation)

310 FIRST ST., SE, MOULTRIE, GA 31768

58-1456434
(IRS Employer ID No.)

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(Address of principal executive offices)

(229) 890-1111

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, Par Value \$1 Per Share

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act. Yes No

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer 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

As of the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant was approximately \$85.8 million.

As of March 11, 2010, the registrant had outstanding 13,820,817 shares of common stock, \$1.00 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report is incorporated by reference from the Registrant's definitive proxy statement (the "Proxy Statement") to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report.

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this Amendment) amends the Annual Report on Form 10-K for the year ended December 31, 2009 of Ameris Bancorp (the Company) filed with the Securities and Exchange Commission (the SEC) on March 16, 2010 (the Original Report). This Amendment amends and restates Part IV, Item 15 of the Original Report to include the separate report of the predecessor accountant in Part IV. This report was inadvertently omitted.

Except for the foregoing revision, this Amendment does not modify or update any disclosures presented in the Original Report. Accordingly, this Amendment does not reflect events occurring after the filing of the Original Report or modify or update those disclosures contained in the Original Report which may have been affected by subsequent events. Information not affected by this Amendment is unchanged and reflects the disclosures made at the time the Original Report was filed. The Original Report, as amended by this Amendment, is referenced to herein as the Annual Report.

This amendment has no impact on the financial statements of the registrant for the year ended December 31, 2009. With this Amendment, the principal executive officer and principal financial officer of the Company have reissued their certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial statements:

(a) Ameris Bancorp and Subsidiaries:

- (i) Consolidated Balance Sheets - December 31, 2009 and 2008;
- (ii) Consolidated Statements of Income - Years ended December 31, 2009, 2008 and 2007;
- (iii) Consolidated Statements of Comprehensive Income - Years ended December 31, 2009, 2008 and 2007;
- (iv) Consolidated Statements of Stockholders' Equity - Years ended December 31, 2009, 2008 and 2007;
- (v) Statements of Cash Flows - Years ended December 31, 2009, 2008 and 2007; and
- (vi) Notes to Consolidated Financial Statements

(b) Ameris Bancorp (parent company only):

Parent company only financial information has been included in Note 21 of Notes to Consolidated Financial Statements.

2. Financial statement schedules:

All schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

3. A list of the Exhibits required by Item 601 of Regulation S-K to be filed as a part of this report is shown on the Exhibit Index filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERIS BANCORP

Date: April 13, 2010

By: /s/ Edwin W. Hortman, Jr.
Edwin W. Hortman, Jr.,
President and Chief Executive Officer
(principal executive officer)

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EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|---|
| 2.1 | Purchase and Assumption Agreement dated as of October 23, 2009 among the Federal Deposit Insurance Corporation, Receiver of American United Bank, Lawrenceville, Georgia, Ameris Bank and the Federal Deposit Insurance Corporation acting in its corporate capacity (incorporated by reference to Exhibit 2.1 to Ameris Bancorp's Current Report on Form 8-K/A filed with the Commission on March 15, 2010). |
| 2.2 | Purchase and Assumption Agreement dated as of November 6, 2009 among the Federal Deposit Insurance Corporation, Receiver of United Security Bank, Sparta, Georgia, Ameris Bank and the Federal Deposit Insurance Corporation acting in its corporate capacity.* |
| 3.1 | Articles of Incorporation of Ameris Bancorp, as amended (incorporated by reference to Exhibit 2.1 to Ameris Bancorp's Regulation A Offering Statement on Form 1-A filed with the Commission on August 14, 1987). |
| 3.2 | Amendment to Amended Articles of Incorporation (incorporated by reference to Exhibit 3.1.1 to Ameris Bancorp's Form 10-K filed with the Commission on March 28, 1996). |
| 3.3 | Amendment to Amended Articles of Incorporation (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). |
| 3.9 | Articles of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Form 8-K filed with the Commission on November 21, 2008). |
| 4.1 | Placement Agreement between Ameris Bancorp, Ameris Statutory Trust I, FTN Financial Capital Markets and Keefe, Bruyette & Woods, Inc. dated September 13, 2006 (incorporated by reference to Exhibit 4.1 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006). |
| 4.2 | Subscription Agreement between Ameris Bancorp, Ameris Statutory Trust I and First Tennessee Bank National Association dated September 20, 2006 (incorporated by reference to Exhibit 4.2 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006). |
| 4.3 | Subscription Agreement between Ameris Bancorp, Ameris Statutory Trust I and TWE, Ltd. dated September 20, 2006 (incorporated by reference to Exhibit 4.3 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006). |
| 4.4 | Indenture between Ameris Bancorp and Wilmington Trust Company dated September 20, 2006 (incorporated by reference to Exhibit 4.4 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed |

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with the Commission on October 27, 2006).

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- 4.5 Amended and Restated Declaration of Trust between Ameris Bancorp, the Administrators of Ameris Statutory Trust I signatory thereto and Wilmington Trust Company dated September 20, 2006 (incorporated by reference to Exhibit 4.5 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).
- 4.6 Guarantee Agreement between Ameris Bancorp and Wilmington Trust Company dated September 20, 2006 (incorporated by reference to Exhibit 4.6 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).
- 4.7 Floating Rate Junior Subordinated Deferrable Interest Debenture dated September 20, 2006 issued to Ameris Statutory Trust I (incorporated by reference to Exhibit 4.7 to Ameris Bancorp's Registration Statement on Form S-4 (Registration No. 333-138252) filed with the Commission on October 27, 2006).
- 4.8 Warrant to Purchase 679,443 shares of Common Stock of Ameris Bancorp, issued to the U.S. Department of Treasury on November 21, 2008 (incorporated by reference to Exhibit 3.2 to Ameris Bancorp's Form 8-K filed with the Commission on November 21, 2008).
- 10.1 Deferred Compensation Agreement for Kenneth J. Hunnicutt dated December 16, 1986 (incorporated by reference to Exhibit 5.3 to Ameris Bancorp's Regulation A Offering Statement on Form 1-A filed with the Commission on August 14, 1987).
- 10.2 Executive Salary Continuation Agreement dated February 14, 1984 (incorporated by reference to Exhibit 10.6 to Ameris Bancorp's Annual Report on Form 10-KSB filed with the Commission on March 27, 1989).
- 10.3 Form of Omnibus Stock Ownership and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.17 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 25, 1998).
- 10.4 ABC Bancorp 2000 Officer/Director Stock Bonus Plan (incorporated by reference to Exhibit 10.19 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 29, 2000).
- 10.5 Executive Employment Agreement with Jon S. Edwards dated as of July 1, 2003 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Quarterly Report on Form 10-Q filed with the Commission on November 12, 2003).
- 10.6 Executive Employment Agreement with Edwin W. Hortman, Jr. dated as of December 31, 2003 (incorporated by reference to Exhibit 10.19 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 15, 2004).
- 10.7 Executive Employment Agreement with Cindi H. Lewis dated as of December 31, 2003 (incorporated by reference to Exhibit 10.20 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 15, 2004).
- 10.8 Amendment No. 1 to Executive Employment Agreement with Edwin W. Hortman, Jr. dated as of March 10, 2005 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on March 14, 2005).
- 10.9 Form of 2005 Omnibus Stock Ownership and Long-Term Incentive Plan (incorporated by reference to Appendix A to Ameris Bancorp's Definitive Proxy Statement filed with the Commission on April 18, 2005).

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- 10.10 Executive Employment Agreement with Dennis J. Zember Jr. dated as of May 5, 2005 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K/A filed with the Commission on May 11, 2005).
- 10.11 Revolving Credit Agreement with SunTrust Bank dated as of December 14, 2005 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 20, 2005).
- 10.12 Security Agreement with SunTrust Bank dated as of December 14, 2005 (incorporated by reference to Exhibit 10.2 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 20, 2005).
- 10.13 Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 4.2 to Ameris Bancorp's Registration Statement on Form S-8 filed with the Commission on January 24, 2006).
- 10.14 Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 4.3 to Ameris Bancorp's Registration Statement on Form S-8 filed with the Commission on January 24, 2006).
- 10.15 Form of Restricted Stock Agreement (incorporated by reference to Exhibit 4.4 to Ameris Bancorp's Registration Statement on Form S-8 filed with the Commission on January 24, 2006).
- 10.16 Executive Employment Agreement with Marc J. Bogan dated as of May 31, 2007 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on June 6, 2007).
- 10.17 Executive Employment Agreement with C. Richard Sturm dated as of May 31, 2007 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on June 6, 2007).
- 10.18 Letter Agreement, dated November 21, 2008, including Securities Purchase Agreement – Standard Terms incorporated by reference therein, between Ameris Bancorp and the U.S. Department of Treasury (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Form 8-K filed with the Commission on November 21, 2008).
- 10.19 Form of Waiver, executed by each of Messrs. Edwin W. Hortman, Jr., Dennis J. Zember Jr., Jon S. Edwards, C. Johnson Hipp, III and Marc J. Bogan (incorporated by reference to Exhibit 10.2 to Ameris Bancorp's Form 8-K filed with the Commission on November 21, 2008).
- 10.20 Form of Letter Agreement, executed by Ameris Bancorp and each of Messrs. Edwin W. Hortman, Jr., Dennis J. Zember Jr., Jon S. Edwards, C. Johnson Hipp, III and Marc J. Bogan (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Form 8-K filed with the Commission on November 21, 2008).
- 10.21 Second Amendment to Executive Employment Agreement dated December 30, 2008, by and between Ameris Bancorp and Edwin W. Hortman, Jr. (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 30, 2008).
- 10.22 First Amendment to Executive Employment Agreement dated December 30, 2008, by and between Ameris Bancorp and Dennis J. Zember Jr. (incorporated by reference to Exhibit 10.2 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 30, 2008).
- 10.23 First Amendment to Executive Employment Agreement dated December 30, 2008, by and between Ameris Bancorp and Jon S. Edwards (incorporated by reference to Exhibit 10.4 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 30, 2008).
- 10.24 First Amendment to Executive Employment Agreement dated December 30, 2008, by and between Ameris Bancorp and Marc J. Bogan (incorporated by reference to Exhibit 10.5 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 30, 2008).
- 10.25 First Amendment to Executive Employment Agreement dated December 30, 2008, by and between Ameris Bancorp and H. Richard Sturm (incorporated by reference to Exhibit 10.6 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 30, 2008).

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- 10.26 First Amendment to Executive Employment Agreement dated December 30, 2008, by and between Ameris Bancorp and Cindi H. Lewis (incorporated by reference to Exhibit 10.7 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 30, 2008).
 - 10.27 Executive Employment Agreement with Andrew B. Cheney, dated as of February 18, 2009 (incorporated by reference to Exhibit 10.1 to Ameris Bancorp's Form 8-K filed with the Commission on February 23, 2009).
 - 21.1 Schedule of subsidiaries of Ameris Bancorp.*
 - 23.1 Consent of Porter Keadle Moore, LLP.
 - 23.2 Consent of Mauldin & Jenkins, LLC.
 - 24.1 Power of Attorney relating to this Form 10-K is set forth on the signature pages of this Form 10-K.*
 - 31.1 Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer.
 - 31.2 Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer.
 - 32.1 Section 1350 Certification by Chief Executive Officer.
 - 32.2 Section 1350 Certification by Chief Financial Officer.
 - 99.1 Certification of Chief Executive Officer pursuant to the Emergency Economic Stability Act of 2008.*
 - 99.2 Certification of Chief Financial Officer pursuant to the Emergency Economic Stability Act of 2008.*
- * Previously filed.

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AMERIS BANCORP

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Consolidated financial statements:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Ameris Bancorp

Moultrie, Georgia

We have audited the accompanying consolidated balance sheets of Ameris Bancorp and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years then ended. The consolidated financial statements of the Company as of December 31, 2007 were audited by other auditors whose report dated March 5, 2008 expressed an unqualified opinion on those statements. We have also audited the Company's internal controls over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ameris Bancorp and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years ended December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, Ameris Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Atlanta, Georgia

March 11, 2010

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REPORT OF PREDECESSOR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Ameris Bancorp

We have audited the accompanying consolidated balance sheets of Ameris Bancorp and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ameris Bancorp and Subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ameris Bancorp and Subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 5, 2008, expressed an unqualified opinion of Ameris Bancorp and Subsidiaries' internal control over financial reporting.

/s/ Mauldin & Jenkins, LLC

Albany, Georgia

March 5, 2008

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| Assets | 2009 | 2008 |
|--|---------------------|---------------------|
| Cash and due from banks | \$ 81,060 | \$ 66,787 |
| Interest-bearing deposits in banks | 195,038 | 99,383 |
| Federal funds sold | 25,325 | 45,000 |
| Securities available for sale, at fair value | 245,556 | 367,894 |
| Other investments | 7,260 | 8,627 |
| Loans, net of unearned income | 1,584,359 | 1,695,777 |
| Less allowance for loan losses | 35,762 | 39,652 |
| Loans, net | 1,548,597 | 1,656,125 |
| Assets covered by loss-sharing agreements with the FDIC | 146,585 | - |
| Premises and equipment, net | 67,637 | 66,107 |
| Other real estate owned | 23,316 | 6,507 |
| FDIC loss-share receivable | 45,840 | - |
| Intangible assets | 3,586 | 3,631 |
| Goodwill | - | 54,813 |
| Other assets | 33,434 | 32,216 |
| | \$ 2,423,970 | \$ 2,407,090 |
| Liabilities and Stockholders Equity | | |
| Deposits | | |
| Noninterest-bearing | \$ 236,962 | \$ 208,532 |
| Interest-bearing | 1,886,154 | 1,804,993 |
| Total deposits | 2,123,116 | 2,013,525 |
| Securities sold under agreements to repurchase | 55,254 | 27,416 |
| Other borrowings | 2,000 | 72,000 |
| Subordinated deferrable interest debentures | 42,269 | 42,269 |
| Other liabilities | 6,367 | 12,521 |
| Total liabilities | 2,229,006 | 2,167,731 |
| Stockholders equity | | |
| Preferred stock, par value \$1,000; 5,000,000 shares authorized; 52,000 shares issued | 49,552 | 49,028 |
| Common stock, par value \$1; 30,000,000 shares authorized; 15,162,541 and 15,073,035 shares issued | 15,163 | 15,073 |

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| | | |
|---|---------------------|--------------|
| Capital surplus | 87,790 | 87,172 |
| Retained earnings | 46,031 | 92,355 |
| Accumulated other comprehensive income, net of tax | 7,240 | 6,518 |
| | 205,776 | 250,146 |
| Less cost of 1,334,224 and 1,329,939 treasury shares acquired | (10,812) | (10,787) |
| Total stockholders' equity | 194,964 | 239,359 |
| | \$ 2,423,970 | \$ 2,407,090 |

See Notes to Consolidated Financial Statements.

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AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollars in Thousands)

| | 2009 | 2008 | 2007 |
|---|----------------|------------|------------|
| Interest income | | | |
| Interest and fees on loans | \$ 101,312 | \$ 113,335 | \$ 128,869 |
| Interest on taxable securities | 11,858 | 14,469 | 14,171 |
| Interest on nontaxable securities | 1,070 | 685 | 688 |
| Interest on deposits in other banks | 262 | 514 | 2,306 |
| Interest on federal funds sold | 71 | 5 | 43 |
| | 114,573 | 129,008 | 146,077 |
| Interest expense | | | |
| Interest on deposits | 38,506 | 51,942 | 62,380 |
| Interest on other borrowings | 2,044 | 4,401 | 8,619 |
| | 40,550 | 56,343 | 70,999 |
| Net interest income | 74,023 | 72,665 | 75,078 |
| Provision for loan losses | 42,068 | 35,030 | 11,321 |
| Net interest income after provision for loan losses | 31,955 | 37,635 | 63,757 |
| Other income | | | |
| Service charges on deposit accounts | 13,593 | 13,916 | 12,455 |
| Mortgage origination fees | 3,050 | 3,180 | 3,093 |
| Other service charges, commissions and fees | 531 | 708 | 1,268 |
| Gain/(loss) on sales of securities | 871 | 316 | (297) |
| Gain on acquisitions | 38,566 | - | - |
| Other | 1,742 | 1,029 | 1,073 |
| | 58,353 | 19,149 | 17,592 |
| Other expenses | | | |
| Salaries and employee benefits | 31,939 | 31,700 | 29,844 |
| Occupancy and equipment expense | 8,914 | 8,069 | 7,540 |
| Advertising and marketing expense | 1,661 | 3,083 | 2,546 |
| Amortization of intangible assets | 617 | 1,170 | 1,297 |
| Data processing and communications costs | 6,878 | 6,457 | 6,496 |
| Goodwill impairment | 54,813 | - | - |
| Other operating expenses | 19,978 | 12,274 | 11,173 |

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| | | | |
|--|--------------------|------------|-----------|
| | 124,800 | 62,753 | 58,896 |
| (Loss)/income before income taxes | (34,492) | (5,969) | 22,453 |
| Applicable income tax (benefit)/expense | 7,297 | (2,053) | 7,300 |
| Net (loss)/income | \$ (41,789) | \$ (3,916) | \$ 15,153 |
| Preferred stock dividends | 3,161 | 328 | - |
| Net (loss)/income available to common stockholders | \$ (44,950) | \$ (4,244) | \$ 15,153 |
| Basic (loss)/earnings per share | \$ (3.27) | \$ (0.31) | \$ 1.12 |
| Diluted (loss)/earnings per share | \$ (3.27) | \$ (0.31) | \$ 1.11 |

See Notes to Consolidated Financial Statements.

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AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollars in Thousands)

| | 2009 | 2008 | 2007 |
|---|--------------------|-------------------|------------------|
| Net (loss)/income | \$ (41,789) | \$ (3,916) | \$ 15,153 |
| Other comprehensive income/(loss): | | | |
| Net unrealized holding gains/(losses) arising during period on investment securities available for sale, net of tax | (265) | 3,915 | 2,907 |
| Net unrealized gains/(losses) on cash flow hedge during the period, net of tax of \$836, \$813, and \$393 | 1,553 | 1,509 | 729 |
| Reclassification adjustment for losses/(gains) included in net income, net of tax of \$305, \$107 and \$101 | (566) | (209) | 196 |
| Total other comprehensive income | 722 | 5,215 | 3,832 |
| Comprehensive income/(loss) | \$ (41,067) | \$ 1,299 | \$ 18,985 |

See Notes to Consolidated Financial Statements.

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AMERIS BANCORP

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Dollars in thousands, except share data)

| | Year Ended December 31, | | | | | |
|---|-------------------------|------------------|-------------------|------------------|-------------------|-------------------|
| | 2009 | | 2008 | | 2007 | |
| | Shares | Amount | Shares | Amount | Shares | Amount |
| PREFERRED STOCK | | | | | | |
| Balance at beginning of period | 52,000 | \$ 49,028 | - | \$ - | - | \$ - |
| Issued during period | - | - | 52,000 | 48,975 | - | \$ - |
| Accretion of fair value of warrant | - | 524 | - | 53 | - | - |
| Issued at end of period | 52,000 | \$ 49,552 | 52,000 | \$ 49,028 | - | \$ - |
| COMMON STOCK | | | | | | |
| Issued at beginning of period | 15,073,035 | \$ 15,073 | 15,077,256 | \$ 15,077 | 15,057,569 | \$ 15,057 |
| Issuance of restricted shares | 88,750 | 89 | - | - | 4,200 | 4 |
| Cancellation of restricted shares | - | - | (33,164) | (33) | - | - |
| Proceeds from exercise of stock options | 756 | 1 | 28,943 | 29 | 15,487 | 16 |
| Issued at end of period | 15,162,541 | \$ 15,163 | 15,073,035 | \$ 15,073 | 15,077,256 | \$ 15,077 |
| CAPITAL SURPLUS | | | | | | |
| Balance at beginning of period | | \$ 87,172 | | \$ 83,884 | | \$ 82,615 |
| Stock-based compensation | | 701 | | (97) | | 1,095 |
| Warrants issued | | - | | 3,025 | | - |
| Proceeds from exercise of stock options | | 6 | | 305 | | 160 |
| Issuance of restricted shares | | (89) | | - | | (4) |
| Cancellation of restricted shares | | - | | 33 | | - |
| Tax adjustment for vesting of restricted shares | | - | | 22 | | 18 |
| Balance at end of period | | \$ 87,790 | | \$ 87,172 | | \$ 83,884 |
| RETAINED EARNINGS | | | | | | |
| Balance at beginning of period | | \$ 92,355 | | \$ 101,754 | | \$ 94,182 |
| Net (loss)/income | | (41,789) | | (3,916) | | 15,153 |
| Dividends on preferred shares | | (2,583) | | (328) | | - |
| Accretion of fair value warrant | | (578) | | - | | - |
| Cash dividends on common shares | | (1,374) | | (5,155) | | (7,581) |
| Balance at end of period | | \$ 46,031 | | \$ 92,355 | | \$ 101,754 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | | | | |
| Unrealized gains (losses) on securities: | | | | | | |
| Balance at beginning of period | | \$ 4,288 | | \$ 582 | | \$ (2,488) |
| Accumulated other comprehensive income | | (896) | | 3,706 | | 3,070 |
| Balance at end of period | | \$ 3,392 | | \$ 4,288 | | \$ 582 |
| Unrealized gains gain on interest rate floors: | | | | | | |
| Balance at beginning of period | | \$ 2,230 | | \$ 721 | | \$ (41) |
| Accumulated other comprehensive income | | (1,121) | | 1,509 | | 762 |
| Balance at end of period | | \$ 1,109 | | \$ 2,230 | | \$ 721 |

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| | | | |
|--|-----------------|-----------------|-----------------|
| Deferred gains on interest rate swap: | | | |
| Balance at beginning of period | \$ - | \$ - | \$ - |
| Accumulated other comprehensive income | 2,739 | - | - |
| Balance at end of period | \$ 2,739 | \$ - | \$ - |
| <i>Balance at end of period</i> | \$ 7,240 | \$ 6,518 | \$ 1,303 |

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AMERIS BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollars in Thousands)

| | 2009 | 2008 | 2007 |
|---|----------------|------------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Net (loss)/income | \$ (41,789) | \$ (3,916) | \$ 15,153 |
| Adjustments to reconcile net (loss)/income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 3,621 | 3,360 | 3,061 |
| Amortization of intangible assets | 617 | 1,170 | 1,297 |
| Goodwill impairment charge | 54,813 | - | - |
| Net (gain) /loss on securities available for sale | (871) | (316) | 1,095 |
| Stock based compensation expense | 701 | (97) | 297 |
| Net loss on sale or disposal of premises and equipment | 144 | 627 | 63 |
| Net (gain)/loss on sale of other real estate owned | 4,249 | (233) | 656 |
| Gain on acquisitions, net of tax | (25,068) | - | - |
| Provision for loan losses | 42,068 | 35,030 | 11,321 |
| Provision for deferred taxes | 10,480 | (4,650) | (1,522) |
| (Increase)/decrease in interest receivable | 851 | 3,688 | (854) |
| Increase/(decrease) in interest payable | (4,140) | (691) | 33 |
| Increase (decrease) in taxes payable | (3,184) | (1,512) | (600) |
| Increase in prepaid FDIC assessments | (12,795) | (311) | (49) |
| Net other operating activities | (5,749) | (6,548) | (6,926) |
| Total adjustments | 65,737 | 29,517 | 7,872 |
| Net cash provided by operating activities | 23,948 | 25,601 | 23,025 |
| INVESTING ACTIVITIES | | | |
| (Increase)/decrease in interest-bearing deposits in banks | (93,050) | (87,361) | 113,771 |
| Purchases of securities available for sale | (77,020) | (168,711) | (137,268) |
| Proceeds from maturities of securities available for sale | 150,210 | 75,327 | 70,748 |
| Proceeds from sale of securities available for sale | 67,317 | 20,805 | 62,912 |
| (Increase)/decrease in restricted equity securities, net | 2,398 | 720 | (544) |
| (Increase)/decrease in federal funds sold | 19,675 | (45,000) | 9,439 |
| (Increase)/decrease in loans, net | 32,158 | (115,447) | (189,913) |
| Purchase of premises and equipment | (6,884) | (10,154) | (15,878) |
| Proceeds from sale of premises and equipment | 1,714 | 390 | 225 |
| Proceeds from sale of other real estate owned | 16,022 | 13,181 | 3,067 |
| Net cash proceeds received from FDIC-assisted acquisitions | 67,942 | - | - |
| Net cash used in investing activities | 180,482 | (316,250) | (83,441) |
| FINANCING ACTIVITIES | | | |
| Increase/(decrease) in deposits | (131,973) | 256,260 | 47,102 |
| Increase/(decrease) in federal funds purchased and securities sold under agreements to repurchase | 27,838 | 12,711 | (1,228) |
| Proceeds from other borrowings and debentures | - | 220,600 | 216,500 |

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| | | | |
|--|-----------|-----------|-----------|
| Repayment of other borrowings and debentures | (79,306) | (239,100) | (201,500) |
| Deferred gain on termination of interest rate swap | (2,739) | - | - |
| Cash dividends on preferred stock | (2,583) | - | - |
| Cash dividends on common stock | (1,375) | (5,155) | (7,510) |
| Proceeds allocated to issuance of preferred stock | - | 48,975 | - |
| Proceeds allocated to warrants issued | - | 3,025 | - |
| Proceeds from exercise of stock options | 6 | 334 | 176 |
| Purchase of treasury shares | (25) | (18) | (176) |
| | | | |
| Net cash provided by financing activities | (190,157) | 297,632 | 53,364 |
| | | | |
| Net increase (decrease) in cash and due from banks | 14,273 | 6,983 | (7,052) |
| Cash and due from banks at beginning of period | 66,787 | 59,804 | 66,856 |
| | | | |
| Cash and due from banks at end of period | \$ 81,060 | \$ 66,787 | \$ 59,804 |

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AMERIS BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollars in Thousands)

| | 2009 | 2008 | 2007 |
|---|------------|-----------|-----------|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | |
| Cash paid/(received) during the year for: | | | |
| Interest | \$ 44,690 | \$ 57,308 | \$ 70,966 |
| Income taxes | \$ (5,248) | \$ 4,207 | \$ 9,573 |
| NON-CASH TRANSACTIONS | | | |
| Loans transferred to other real estate owned | \$ 39,212 | \$ 13,632 | \$ 10,272 |
| Change in unrealized gain (loss) on securities available for sale | \$ (897) | \$ 3,706 | \$ 4,667 |
| Change in unrealized gain (loss) on cash flow hedge | \$ (1,121) | \$ 1,509 | \$ 1,105 |
| Change in deferred gain (loss) on termination of interest rate swap | \$ 2,739 | \$ - | \$ - |
| See Notes to Consolidated Financial Statements. | | | |

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AMERIS BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Ameris Bancorp (the Company) is a financial holding company whose primary business is presently conducted by Ameris Bank, its wholly-owned banking subsidiary (the Bank). Through the Bank, the Company operates a full service banking business and offers a broad range of retail and commercial banking services to its customers concentrated in selected markets in Georgia, Alabama, Florida and South Carolina. The Company and the Bank are subject to the regulations of certain federal and state agencies and are periodically examined by those regulatory agencies.

Basis of Presentation and Accounting Estimates

The consolidated financial statements include the accounts of the Company and its subsidiary. Significant intercompany transactions and balances have been eliminated in consolidation.

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, the valuation of foreclosed assets and the carrying value of our deferred tax assets. The determination of the adequacy of the allowance for loan losses is based on estimates that are susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans and the valuation of foreclosed assets, management obtains independent appraisals for significant collateral or assets. In evaluating the Company's deferred tax assets, management considers the level of future revenues and their capacity to fully utilize the current levels of deferred tax assets.

Acquisition Accounting

Acquisitions are accounted for under the purchase method of accounting. Purchased assets and assumed liabilities are recorded at their estimated fair values as of the purchase date. Any identifiable intangible assets are also recorded at fair value. When the fair value of the assets purchased exceeded the fair value of liabilities assumed, it results in a bargain purchase gain. If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date and prohibit the carryover of the related allowance for loan losses. When the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments, the difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. The Company must estimate expected cash flows at each reporting date. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges and adjusted accretable yield which will have a positive impact on interest income. In addition, purchased loans without evidence of credit deterioration are also handled under this method.

All identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Because deposit liabilities and the related customer relationship intangible assets may be exchanged in a sale or exchange transaction, the intangible asset associated with the depositor relationship is considered identifiable. Accordingly, the Company recorded a core deposit intangible asset associated with the American United Bank and United Security Bank acquisitions totaling \$573,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Acquisition Accounting (Continued)

Indemnification assets are recognized when the seller contractually indemnifies, in whole or in part, the buyer for a particular uncertainty. The recognition and measurement of an indemnification asset is based on the related indemnified item. That is, the acquirer should recognize an indemnification asset at the same time that it recognizes the indemnified item, measured on the same basis as the indemnified item, subject to collectability or contractual limitations on the indemnified amount. Therefore, if the indemnification relates to an asset or a liability that is recognized at the acquisition date and measured at its acquisition-date fair value, the acquirer should recognize the indemnification asset at its acquisition-date fair value on the acquisition date. If an indemnification asset is measured at fair value, a separate valuation allowance is not necessary, because its fair value measurement will reflect any uncertainties in future cash flows. The loans purchased in the American United Bank and United Security Bank acquisitions are covered by a loss-share agreement between the FDIC and the Company. The Company has recorded an estimated receivable from the FDIC of \$45.8 million which represents the fair value of the FDIC's portion of the losses that are expected to be incurred and reimbursed to the Company.

Cash, Due from Banks and Cash Flows

For purposes of reporting cash flows, cash and due from banks includes cash on hand, cash items in process of collection and amounts due from banks. The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. The total of the average daily required reserve was approximately \$12.0 million and \$3.9 million for the years ended 2009 and 2008, respectively.

Securities

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Securities (Continued)

The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the life of the securities. Realized gains and losses, determined on the basis of the cost of specific securities sold, are included in earnings on the settlement date. A decline in the market value of any available-for-sale or held-to-maturity investment below cost that is deemed other than temporary is charged to earnings and establishes a new cost basis for the security for the decline in value deemed to be credit related. The decline in value attributed to non-credit related factors is recognized in other comprehensive income and a new cost basis in the security is established.

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

Loans

Loans are reported at their outstanding principal balances less unearned income, net of deferred fees and origination cost and the allowance for loan losses. Interest income is accrued on the outstanding principal balance.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to make payments as they become due, unless the loan is well-secured. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued, but not collected for loans that are placed on nonaccrual or charged off, is reversed against interest income, unless management believes that the accrued interest is recoverable through the liquidation of collateral. Interest income on nonaccrual loans is subsequently recognized only to the extent cash payments are received until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the collection of a loan's principal is unlikely. Subsequent recoveries are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of various risks in the loan portfolio highlighted by historical experience, the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions that may affect the borrower's ability to pay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The allowance consists of specific and general components. The specific component includes loans management considers impaired and other loans or groups of loans that management has classified with higher risk characteristics. For such loans that are classified as impaired, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

Premises and Equipment

Land is carried at cost. Other premises and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. In general, estimated lives for buildings are up to 40 years, furniture and equipment useful lives range from 3 to 20 years and the lives of software and computer related equipment range from 3 to 5 years. Leasehold improvements are amortized over the life of the related lease, or the related assets, whichever is shorter. Expenditures for major improvements of the Company's premises and equipment are capitalized and depreciated over their estimated useful lives. Minor repairs, maintenance and improvements are charged to operations as incurred. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the entire carrying value of the Company's goodwill was impaired. An impairment charge was recognized as an expense in the fourth quarter of 2009.

Intangible assets consist of core deposit premiums acquired in connection with business combinations and are based on the established value of acquired customer deposits. The core deposit premium is initially recognized based on a valuation performed as of the consummation date and is amortized over the estimated useful life of between three and ten years. Amortization periods are reviewed annually in connection with the annual impairment testing of goodwill.

Other Real Estate Owned

Foreclosed assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less estimated cost to sell. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs of improvements are capitalized up to the fair value of the property, whereas costs relating to holding foreclosed assets and subsequent adjustments to the value are charged to operations. The carrying amount of foreclosed assets at December 31, 2009 and 2008 was \$21.6 million and \$4.7 million, respectively.

Bank owned real estate includes land acquired directly by the Bank for its purpose and now held for sale at its fair value less estimated cost to sell. The carrying amount of bank owned real estate at December 31, 2009 and 2008 was \$1.8 million and \$1.8 million, respectively. The Company does not hold any other real estate owned for investment purposes.

Income Taxes

Deferred income tax assets and liabilities are determined using the balance sheet method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Stock-Based Compensation

The Company accounts for its stock compensation plans using a fair value based method whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period.

During 2008, the Company determined that certain stock grants would not vest and as a result reversed amounts expensed in prior years. The Company recorded approximately \$701,000, (\$97,000), and \$444,000 of stock-based compensation cost in 2009, 2008 and 2007, respectively.

Treasury Stock

The Company's repurchases of shares of its common stock are recorded at cost as treasury stock and result in a reduction of stockholders' equity.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Earnings Per Share**

Basic earnings per common share are computed by dividing net income by the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per common share are computed by dividing net income by the effect of the issuance of potential common shares that are dilutive and by the sum of the weighted-average number of shares of common stock outstanding. Potential common shares consist of only stock options for the years ended December 31, 2009, 2008 and 2007, and are determined using the treasury stock method.

Presented below is a summary of the components used to calculate basic and diluted earnings per share:

| | Years Ended December 31, | | |
|--|---------------------------------|-------------|-------------|
| | 2009 | 2008 | 2007 |
| | (Dollars in Thousands) | | |
| Net income (loss) available to common shareholders | \$ (44,950) | \$ (4,244) | \$ 15,153 |
| Weighted average number of common shares outstanding | 13,741 | 13,723 | 13,687 |
| Effect of dilutive warrants | - | - | - |
| Effect of dilutive options | - | - | 154 |
| Weighted average number of common shares outstanding used to calculate dilutive earnings per share | 13,741 | 13,723 | 13,841 |

Due to losses in 2008 and 2009, the Company has excluded the effects of options and warrants as these would have been anti-dilutive. At December 31, 2007, approximately 190,000 common shares were excluded from the calculation of diluted earnings per share because of anti-dilution.

Derivative Instruments and Hedging Activities

The goal of the Company's interest rate risk management process is to minimize the volatility in the net interest margin caused by changes in interest rates. Derivative instruments are used to hedge certain assets or liabilities as a part of this process. The Company is required to recognize certain contracts and commitments as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative. All derivative instruments are required to be carried at fair value on the balance sheet.

The Company's current hedging strategies involve utilizing interest rate floors classified as Cash Flow Hedges. Cash flows related to floating-rate assets and liabilities will fluctuate with changes in an underlying rate index. When effectively hedged, the increases or decreases in cash flows related to the floating rate asset or liability will generally be offset by changes in cash flows of the derivative instrument designated as a hedge. 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. The change in fair value of the effective portion of cash flow hedges is accounted for in other comprehensive income rather than net income.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
Derivative Instruments and Hedging Activities (Continued)

The Company had cash flow hedges with notional amounts totaling \$35 million and \$70 million at December 31, 2009 and 2008, respectively, for the purpose of converting floating rate assets to fixed rate. The fair value of these instruments amounted to approximately \$1.9 million and \$3.7 million as of December 31, 2009 and 2008, respectively, and was recorded as an asset. No hedge ineffectiveness from cash flow hedges was recognized in the statement of operations. All components of each derivative's gain or loss are included in the assessment of hedge effectiveness.

Comprehensive Income

The Company's comprehensive income consists of net income, changes in the net unrealized holding gains and losses of securities available for sale, unrealized gain or loss on the effective portion of the cash flow hedge and the realized gain or loss recognized due to the sale or unwind of cash flow hedge prior to their contractual maturity date. These amounts are carried in other comprehensive income (loss) on the consolidated statements of stockholders' equity and presented net of taxes.

New Accounting Standards

FASB Accounting Standards Codification (ASC) Topic 105 - Generally Accepted Accounting Principles (Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162*) (ASC 105). This accounting guidance was originally issued in June 2009 and is now included in ASC 105. The guidance identifies the FASB Accounting Standards Codification (the Codification) as the single source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. The Codification reorganizes all previous GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. All existing standards that were used to create the Codification have been superseded, replacing the previous references to specific Statements of Financial Accounting Standards (SFAS) with numbers used in the Codification's structural organization. The guidance is effective for interim and annual periods ending after September 15, 2009. After September 15, only one level of authoritative GAAP exists, other than guidance issued by the Securities and Exchange Commission. All other accounting literature excluded from the Codification is considered non-authoritative. The adoption of the Codification did not have a material impact on the Company's consolidated financial statements.

ASC Topic 805 - Business Combinations (Statement No. 141 (Revised 2008), Business Combinations) (ASC 805). This accounting guidance was originally issued in December 2007 and is now included in ASC 805. The guidance requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. The guidance requires prospective application for business combinations consummated in fiscal years beginning on or after December 15, 2008. The federally assisted transactions described in Note 2 were accounted for under this guidance.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
New Accounting Standards (Continued)

ASC Topic 320 Investments Debt and Equity Securities (FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*) (ASC 320). This accounting guidance was originally issued in April 2009 and is now included in ASC 320. The guidance amends the previous other-than-temporary impairment (OTTI) guidance for debt securities and included additional presentation and disclosure requirements for both debt and equity securities. The guidance is effective for interim reporting periods ending after June 15, 2009. The adoption of this guidance requires an adjustment to retained earnings and other comprehensive income (OCI) in the period of adoption to reclassify non-credit related impairment to OCI for securities that the Company does not intend to sell (and will not more likely than not be required to sell). The adoption of the Codification did have a material impact on the Company's consolidated financial statements.

ASC Topic 820 Fair Value Measurements and Disclosures (Staff Position (FSP) FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*) (ASC 820). This accounting guidance was originally issued in April 2009 and is now included in ASC 820. The guidance reaffirms the exit price fair value measurement concept and also provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. The guidance was effective for interim reporting periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on the consolidated financial statements.

ASC Topic 825 Financial Instruments (FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*) (ASC 825). This accounting guidance was originally issued in April 2009 and is now included in ASC 825. The guidance requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This guidance was adopted for interim reporting periods ending after June 15, 2009 (See Note 19).

ASC Topic 855 Subsequent Events (Statement No. 165, *Subsequent Events*) (ASC 855). This accounting guidance was originally issued in May 2009 and is now included in ASC 855. The guidance establishes general standards of accounting for and disclosure of subsequent events. Subsequent events are events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The guidance is effective for interim or annual periods ending after June 15, 2009. The Company performed a review through March 11, 2010, and determined that there were no transactions qualifying as a subsequent event.

Accounting Standards Update (ASU) 2010-6 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. The ASU amends Subtopic 820-10 with new disclosure requirements and clarification of existing disclosure requirements. New disclosures required include the amount of significant transfers in and out of levels 1 and 2 fair value measurements and the reasons for the transfers. In addition, the reconciliation for level 3 activity will be required on a gross rather than net basis. The ASU provides additional guidance related to the level of disaggregation in determining classes of assets and liabilities and disclosures about inputs and valuation techniques. The amendments are effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the reconciliation for level 3 activity on a gross basis which will be effective for fiscal years beginning after December 15, 2010. (See Note 19).

Reclassifications. Certain reclassifications of prior year amounts have been made to conform with the current year presentations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. BUSINESS COMBINATIONS

During 2009, the Company participated in two federally-assisted acquisitions (the acquisitions) whereby the Company purchased two failed institutions out of the FDIC's receivership.

American United Bank:

On October 23, 2009, the Bank purchased substantially all of the assets and assumed substantially all the liabilities of American United Bank (AUB) from the FDIC, as Receiver of AUB. AUB operated only one branch in Lawrenceville, Georgia, a northeast suburb of Atlanta, Georgia, with total loans of \$85.7 million and total deposits of \$100.3 million. The Company's agreements with the FDIC included a loss-sharing agreement which affords the Bank significant protection from losses associated with loans and other real estate owned (OREO). Under the terms of the loss-sharing agreement, the FDIC will absorb 80% of losses and share 80% of loss recoveries on the first \$38 million of losses and absorb 95% of losses and share in 95% of loss recoveries on losses exceeding \$38 million. The term for loss sharing on residential real estate loans is ten years, while the term for loss sharing on all other loans is five years.

The Company's bid to acquire AUB included a discount on the book value of the assets totaling \$19.6 million. Also included in the bid was a premium of approximately \$262,000 on AUB's deposits. The Bank's bid resulted in a cash payment from the FDIC totaling \$17.1 million.

United Security Bank:

On November 6, 2009, the Bank purchased substantially all of the assets and assumed substantially all the liabilities of United Security Bank (USB) from the FDIC, as Receiver of USB. USB operated one branch in Woodstock, Georgia and one branch in Sparta, Georgia, with total loans of \$108.4 million and total deposits of \$140.0 million. The Company's agreements with the FDIC included a loss-sharing agreement similar to that associated with AUB, except that under the terms of the USB loss-sharing agreement, the FDIC will absorb 80% of losses and share 80% of loss recoveries on the first \$46 million of losses and absorb 95% of losses and share in 95% of loss recoveries on losses exceeding \$46 million. The term for loss sharing on residential real estate loans is ten years, while the term for loss sharing on all other loans is five years.

The Company's bid to acquire USB included a discount on the book value of the assets totaling \$32.6 million. Also included in the bid was a premium of approximately \$228,000 on USB's deposits. The Bank's bid resulted in a cash payment from the FDIC totaling \$24.2 million.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2. BUSINESS COMBINATIONS (Continued)**

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisitions (in thousands):

| | American United Bank | United Security Bank | Total |
|---|----------------------------|----------------------------|---------------|
| Assets acquired: | | | |
| Cash and due from banks | \$ 26,452 | \$ 41,490 | \$ 67,942 |
| Securities available for sale | 10,242 | 8,335 | 18,577 |
| Federal funds sold | - | 2,605 | 2,605 |
| Loans | 56,482 | 83,646 | 140,128 |
| Foreclosed property | 2,165 | 8,069 | 10,234 |
| Estimated loss reimbursement from the FDIC | 24,200 | 21,640 | 45,840 |
| Core deposit intangible | 187 | 386 | 573 |
| Accrued interest receivable and other assets | 1,266 | 3,001 | 4,267 |
| Total assets acquired | 120,994 | 169,172 | 290,166 |
| Liabilities assumed: | | | |
| Deposits | 100,470 | 141,094 | 241,564 |
| Federal Home Loan Bank advances | 7,802 | 1,504 | 9,306 |
| Accrued interest payable and other liabilities | 277 | 453 | 14,228 |
| Total liabilities assumed | 108,549 | 143,051 | 265,098 |
| Net assets acquired / gain from acquisition | \$ 12,445 | \$ 26,121 | \$ 38,566 |

The loss-sharing agreement is subject to the servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the loss-sharing agreement were recorded as an indemnification asset at their estimated fair value of \$45.8 million on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded. The transaction resulted in a gain of \$38.6 million, before tax, which is included in the Company's December 31, 2009 Consolidated Statement of Operations. Due to the difference in tax bases of the assets acquired and liabilities assumed, the Bank recorded a deferred tax liability of \$13.5 million, resulting in an after-tax gain of \$25.1 million.

Ameris Bancorp considers that the determination of the initial fair value of loans at the acquisition and the initial fair value of the related FDIC indemnification asset involves a high degree of judgment and complexity. The carrying value of the acquired loans and the FDIC indemnification asset reflect management's best estimate of the fair value of each of these assets as of the date of acquisition. However, the amount that the Company realizes on these assets could differ materially from the carrying value reflected in these financial statements, based upon the timing and amount of collections on the acquired loans in future periods. Because of the loss-sharing agreement with the FDIC on these assets, the Company should not incur any significant losses. To the extent the actual values realized for the acquired loans are different from the estimate the indemnification asset will generally be affected in an offsetting manner due to the loss sharing support from the FDIC.

In its assumption of the deposit liabilities in the acquisitions, Ameris Bancorp believed that the customer relationships associated with these deposits have intangible value. The Company determined the fair value of a core deposit intangible asset totaling approximately \$573,000. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates, age of deposit relationships, and the maturities of time deposits. The gain resulting from the acquisition was reduced by the fair value of the core

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deposit intangible asset, thus reducing the carrying value of such asset to zero.

The results of operations of AUB and USB subsequent to the acquisition date are included in Ameris Bancorp's consolidated statements of operations. The following unaudited pro forma information reflects the Company's estimated consolidated results of operations as if the acquisitions had occurred on December 31, 2008 and 2007, unadjusted for potential cost savings (in thousands).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. BUSINESS COMBINATIONS (Continued)

| | Year ended December 31, Unaudited | |
|--|--------------------------------------|------------|
| | 2009 | 2008 |
| Net interest income and noninterest income | \$ 133,657 | \$ 98,291 |
| Net income | \$ (56,436) | \$ (6,829) |
| Net income available to common shareholders | \$ (59,597) | \$ (7,157) |
| Earnings per common share basic and diluted | \$ (4.11) | \$ (0.50) |
| Earnings per common share available to common shareholders basic and diluted | \$ (4.34) | \$ (0.52) |

Average number shares outstanding, basic and diluted 13,741 13,723

FASB ASC 310 30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, applies to a loan with evidence of deterioration of credit quality since origination, acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. FASB ASC 310 prohibits carrying over or creating an allowance for loan losses upon initial recognition for loans which fall under the scope of this statement. On the acquisition date, the preliminary estimate of the contractually required payments receivable for all FASB ASC 310 loans acquired in the acquisition were \$109.8 million and the estimated fair value of the loans were \$58.6 million, net of an accretable yield of \$3.6 million, the difference between the value of the loans on our balance sheet and the cash flows they are expected to produce. These amounts were determined based upon the estimated remaining life of the underlying loans, which include the effects of estimated prepayments. At the acquisition dates, a majority of these loans were valued based on the liquidation value of the underlying collateral because the future cash flows are primarily based on the liquidation of underlying collateral. There was no allowance for credit losses established related to these FASB ASC 310 loans at the acquisition dates, based on the provision of this statement.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 2. BUSINESS COMBINATIONS (Continued)**

Loans acquired for which it was probable at acquisition that all contractually required payments would not be collected are as follows (in thousands):

The covered loans at AUB at the acquisition date of October 23, 2009 are presented in the following table.

| | Loans with Deterioration of Credit Quality | Loans without a Deterioration of Credit Quality (In thousands) | Total Covered Loans |
|--------------------------------------|---|---|------------------------------------|
| Construction and development | \$ 16,513 | \$ 991 | \$ 17,504 |
| Real estate secured | 8,460 | 3,583 | 12,043 |
| Commercial, industrial, agricultural | 12,102 | 14,393 | 26,495 |
| Consumer | 2 | 438 | 440 |
| | \$ 37,077 | \$ 19,405 | \$ 56,482 |

The covered loans at USB on the acquisition date of November 6, 2009 are presented in the following table.

| | Loans with Deterioration of Credit Quality | Loans without Deterioration of Credit Quality (In thousands) | Total Covered Loans |
|--------------------------------------|---|---|------------------------------------|
| Construction and development | \$ 16,086 | \$ 14,190 | \$ 30,276 |
| Real estate secured | 3,987 | 37,100 | 41,087 |
| Commercial, industrial, agricultural | 769 | 6,135 | 6,904 |
| Consumer | 633 | 4,746 | 5,379 |
| | \$ 21,475 | \$ 62,171 | \$ 83,646 |

The following table presents the loans receivable (in thousands) at the acquisition date for loans with deterioration in credit quality.

| | American United Bank | United Security Bank (In thousands) | Total |
|--|-------------------------------------|--|--------------|
| Contractually required principal payments receivable | \$ 65,438 | \$ 44,372 | \$ 109,810 |
| Non-accretable difference | 26,416 | 21,292 | 47,708 |
| Present value of cash flows expected to be collected | 39,022 | 23,080 | 62,102 |

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| | | | |
|---|-----------|-----------|-----------|
| Accretable difference | 1,945 | 1,605 | 3,550 |
| Fair value of loans acquired with deterioration of credit quality | \$ 37,077 | \$ 21,475 | \$ 58,552 |

On loans where there was a deterioration of credit, the Company also recorded an accretable difference that will be amortized into income when the expected proceeds from individual loans are more readily determinable. The Bank recorded total accretable differences of \$1.9 million associated with AUB and \$1.6 million associated with USB. As of December 31, 2009, none of the accretable differences had been amortized into interest income.

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Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 3. SECURITIES**

The amortized cost and fair value of securities available for sale with gross unrealized gains and losses are summarized as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|-------------------------------------|------------------------|------------------------------|-------------------------------|-------------------|
| | (Dollars in Thousands) | | | |
| December 31, 2009: | | | | |
| U. S. Government sponsored agencies | \$ 39,194 | \$ 416 | \$ (85) | \$ 39,525 |
| State and municipal securities | 37,133 | 1,048 | (25) | 38,156 |
| Corporate debt securities | 12,178 | 36 | (3,539) | 8,675 |
| Mortgage-backed securities | 151,833 | 7,536 | (169) | 159,200 |
| Total debt securities | \$ 240,338 | \$ 9,036 | \$ (3,818) | \$ 245,556 |
| December 31, 2008: | | | | |
| U. S. Government-sponsored agencies | \$ 130,966 | \$ 1,680 | \$ - | \$ 132,646 |
| State and municipal securities | 18,095 | 330 | (123) | 18,302 |
| Corporate debt securities | 12,209 | 186 | (777) | 11,618 |
| Mortgage-backed securities | 200,128 | 5,332 | (132) | 205,328 |
| Total debt securities | \$ 361,398 | \$ 7,528 | \$ (1,032) | \$ 367,894 |

At December 31, 2009 and 2008, all of the Company's mortgage-backed securities were obligations of Government-sponsored agencies.

The amortized cost and fair value of debt securities available for sale as of December 31, 2009 by contractual maturity are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without penalty. Therefore, these securities are not included in the maturity categories in the following maturity summary.

| | Amortized Cost | Fair Value |
|---------------------------------|------------------------|-------------------|
| | (Dollars in Thousands) | |
| Due in one year or less | \$ 7,893 | \$ 8,012 |
| Due from one year to five years | 35,063 | 35,460 |
| Due from five to ten years | 30,153 | 30,416 |
| Due after ten years | 15,396 | 12,468 |
| Mortgage-backed securities | 151,833 | 159,200 |
| | \$ 240,338 | \$ 245,556 |

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Securities with a carrying value of approximately \$156.7 million and \$260.8 million at December 31, 2009 and 2008, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

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Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 3. SECURITIES (Continued)**

Gains and losses on sales of securities available for sale consist of the following:

| | December 31, | | |
|--|------------------------|---------------|-----------------|
| | 2009 | 2008 | 2007 |
| | (Dollars in Thousands) | | |
| Gross gains on sales of securities | \$ 894 | \$ 329 | \$ 26 |
| Gross losses on sales of securities | (23) | (13) | (323) |
| Net realized gains (losses) on sales of securities available for sale | \$ 871 | \$ 316 | \$ (297) |

The following table shows the gross unrealized losses and fair value of securities aggregated by category and length of time that securities have been in a continuous unrealized loss position at December 31, 2009 and 2008.

| Description of Securities | Less Than 12 Months | | 12 Months or More | | Total | |
|--|------------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | (Dollars in Thousands) | | | | | |
| December 31, 2009: | | | | | | |
| U. S. Government sponsored agencies | \$ 14,908 | \$ (85) | \$ - | \$ - | \$ 14,908 | \$ (85) |
| State and municipal securities | 3,200 | (22) | 613 | (3) | 3,813 | (25) |
| Corporate debt securities | 861 | (139) | 4,722 | (3,400) | 5,583 | (3,539) |
| Mortgage-backed securities | - | - | 1,408 | (169) | 1,408 | (169) |
| Total temporarily impaired securities | \$ 18,969 | \$ (246) | \$ 6,743 | \$ (3,572) | \$ 25,712 | \$ (3,818) |
| December 31, 2008: | | | | | | |
| U. S. Government sponsored agencies | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State and municipal securities | 3,715 | (80) | 981 | (43) | 4,696 | (123) |
| Corporate debt securities | 2,178 | (777) | - | - | 2,178 | (777) |
| Mortgage-backed securities | 7,264 | (83) | 2,408 | (49) | 9,672 | (132) |
| Total temporarily impaired securities | \$ 13,157 | \$ (940) | \$ 3,389 | \$ (92) | \$ 16,546 | \$ (1,032) |

Additional information concerning the Company's investments in corporate debt securities is included in the following table.

| Class | Amortized Cost | Fair Value | Average Maturity (years) | Average Book Yield |
|-------------------|----------------|------------|--------------------------|--------------------|
| Subordinated Debt | \$ 3,998 | \$ 3,467 | 5.9 | 6.24% |

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| | | | | |
|----------------------|-----------|----------|------|-------|
| Preferred Securities | \$ 8,180 | \$ 5,208 | 21.6 | 6.10% |
| Total | \$ 12,178 | \$ 8,675 | 16.4 | 6.15% |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. SECURITIES (Continued)

During 2008 and 2009, the Company received timely and current interest and principal payments on all of the securities classified as corporate debt securities. The Company's investments in subordinated debt include investments in regional and super-regional banks on which the Company prepares regular analysis through review of financial information or credit ratings. Investments in preferred securities are also concentrated in the preferred obligations of regional and super-regional banks through non-pooled investment structures. Investments in pooled trust preferred securities are limited to a single issue totaling \$514,000 at December 31, 2009 and 2008.

Management and the Company's ALCO committee evaluate securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. While the majority of the unrealized losses on debt securities relate to changes in interest rates, corporate debt securities have also been affected by reduced levels of liquidity and higher risk premiums. Occasionally, management engages independent third parties to evaluate the Company's position in certain corporate debt securities to aid management and the ALCO committee in its determination regarding the status of impairment. The Company believes that each investment poses minimal credit risk and further, that the Company has the intent and ability to hold these investments to their maturity date. Therefore, at December 31, 2009, these investments are not considered impaired on an other-than-temporary basis.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES**

The composition of loans is summarized as follows:

| | December 31, | |
|--|-------------------------------|---------------------|
| | 2009 | 2008 |
| | (Dollars in Thousands) | |
| Commercial, financial and agricultural | \$ 168,046 | \$ 200,421 |
| Real estate residential | 182,483 | 189,203 |
| Real estate commercial and farmland | 1,063,369 | 1,070,483 |
| Real estate construction and development | 100,770 | 162,887 |
| Consumer installment | 59,108 | 64,707 |
| Other | 10,583 | 8,076 |
| | 1,584,359 | 1,695,777 |
| Allowance for loan losses | 35,762 | 39,652 |
| Loans, net | \$ 1,548,597 | \$ 1,656,125 |

Covered loans totaling \$137.2 million at December 31, 2009 are not included in the above schedule. These loans are concentrated predominately in commercial, financial and agricultural loans (16.7% of covered loans at December 31, 2009), commercial and farmland loans (47.4% of covered loans at December 31, 2009) and residential real estate loans (16.9% of covered loans at December 31, 2009).

The following is a summary of information pertaining to impaired loans:

| | As of and For the Years Ended | | |
|---|--------------------------------------|------------------|------------------|
| | December 31, | | |
| | 2009 | 2008 | 2007 |
| | (Dollars in Thousands) | | |
| Impaired loans requiring a valuation allowance | \$ 55,004 | \$ 29,967 | \$ 14,237 |
| Impaired loans no requiring a valuation allowance | \$ 41,127 | \$ 35,447 | \$ 4,231 |
| Valuation allowance related to impaired loans | \$ 15,081 | \$ 9,078 | \$ 2,978 |
| Average investment in impaired loans | \$ 75,784 | \$ 40,940 | \$ 16,247 |
| Interest income recognized on impaired loans | \$ 523 | \$ 323 | \$ 314 |
| Foregone interest income on impaired loans | \$ 6,253 | \$ 4,643 | \$ 1,340 |

Loans on nonaccrual status amounted to approximately \$96.1 million, \$65.4 million, and \$18.5 million at December 31, 2009, 2008 and 2007, respectively. There were no material amounts of loans past due ninety days or more and still accruing interest at December 31, 2009, 2008 or 2007.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)**

Changes in the allowance for loan losses for the years ended December 31, 2009, 2008 and 2007 are as follows:

| | 2009 | December 31, 2008 | 2007 |
|--|-------------------------------|------------------------------|-------------|
| | (Dollars in Thousands) | | |
| Balance, beginning of year | \$ 39,652 | \$ 27,640 | \$ 24,863 |
| Provision for loan losses | 42,068 | 35,030 | 11,321 |
| Loans charged off | (47,129) | (24,340) | (10,418) |
| Recoveries of loans previously charged off | 1,171 | 1,322 | 1,874 |
| Balance, end of year | \$ 35,762 | \$ 39,652 | \$ 27,640 |

In the ordinary course of business, the Company has granted loans to certain directors and their affiliates. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan. Company policy provides for no loans to executive officers. Changes in related party loans are summarized as follows:

| | December 31, 2009 | 2008 |
|--|-------------------------------|-------------|
| | (Dollars in Thousands) | |
| Balance, beginning of year | \$ 8,274 | \$ 6,246 |
| Advances | 3 | 282 |
| Repayments | (93) | (205) |
| Transactions due to changes in related parties | 152 | 1,951 |
| Balance, end of year | \$ 8,336 | \$ 8,274 |

The Bank makes commercial, residential, construction, agricultural, agribusiness and consumer loans to customers primarily concentrated in selected markets in Georgia, Alabama, Florida and South Carolina. A substantial portion of the customers' abilities to honor their contracts is dependent on the business economy in the geographical area served by the Bank.

A substantial portion of the Company's loans are secured by real estate in the Company's primary market area. In addition, a substantial portion of the other real estate owned is located in those same markets. Accordingly, the ultimate collectability of a substantial portion of the Company's loan portfolio and the recovery of a substantial portion of the carrying amount of other real estate owned are susceptible to changes in real estate conditions in the Company's primary market area.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 5. PREMISES AND EQUIPMENT**

Premises and equipment are summarized as follows:

| | December 31, | |
|--------------------------|-------------------------------|-------------|
| | 2009 | 2008 |
| | (Dollars in Thousands) | |
| Land | \$ 24,745 | \$ 20,231 |
| Buildings | 48,334 | 43,350 |
| Furniture and equipment | 29,459 | 26,307 |
| Construction in progress | 283 | 8,067 |
| | 102,821 | 97,955 |
| Accumulated depreciation | (35,184) | (31,848) |
| | \$ 67,637 | \$ 66,107 |

Estimated costs to complete construction projects under progress were less than \$1 million at December 31, 2009 and approximately \$3.8 million at December 31, 2008. Depreciation expense was \$3.6 million, \$3.4 million and \$3.1 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Leases

The Company has a non-cancellable operating lease on its operations center with a former Chairman of the Board. The lease has an initial term of three years with one two-year renewal option. Additionally, the Company has two short-term residential leases for the convenience of bank employees who have been relocated temporarily.

The Company has various operating leases with unrelated parties on fourteen banking offices. Generally, these leases are on smaller locations with initial lease terms under ten years with up to two renewal options.

Rental expense amounted to approximately \$752,000, \$813,000, and \$335,000 for the years ended December 31, 2009, 2008 and 2007, respectively. Future minimum lease commitments under the Company's operating leases, excluding any renewal options, are summarized as follows:

| | |
|------------|---------------------|
| 2010 | \$ 446,932 |
| 2011 | 336,188 |
| 2012 | 269,713 |
| 2013 | 186,000 |
| 2014 | 174,000 |
| Thereafter | 320,000 |
| | \$ 1,732,833 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. GOODWILL AND INTANGIBLE ASSETS

The Company recorded a core deposit intangible asset of \$573,000 associated with the acquisitions of AUB and USB during the fourth quarter of 2009. The amortization period used for core deposit intangibles ranges from 3 to 10 years. Following is a summary of information related to acquired intangible assets:

| | As of December 31, 2009 | | As of December 31, 2008 | |
|---|-------------------------|--------------------------|-------------------------|--------------------------|
| | Gross Amount | Accumulated Amortization | Gross Amount | Accumulated Amortization |
| Amortized intangible assets Core deposit premiums | \$ 15,003 | \$ 11,417 | \$ 14,430 | \$ 10,799 |

(Dollars in Thousands)

The aggregate amortization expense for intangible assets was approximately \$615,541, \$1,170,000 and \$1,297,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

The estimated amortization expense for each of the next five years is as follows (in thousands):

| | |
|------------|----------|
| 2010 | \$ 738 |
| 2011 | 738 |
| 2012 | 652 |
| 2013 | 493 |
| 2014 | 493 |
| Thereafter | 472 |
| | \$ 3,586 |

Changes in the carrying amount of goodwill are as follows:

| | For the Years Ended December 31, | |
|------------------------|----------------------------------|-----------|
| | 2009 | 2008 |
| Beginning balance | \$ 54,813 | \$ 54,813 |
| Impairment of goodwill | (54,813) | - |
| Ending balance | \$ - | \$ 54,813 |

(Dollars in Thousands)

During our annual assessment of goodwill in the fourth quarter of 2009, we concluded that the carrying value of goodwill was impaired. GAAP requires that goodwill be reviewed for impairment at least annually. Impairment is a condition that exists when the carrying amount of the goodwill exceeds its fair value. Two tests were performed by a third party using three valuation approaches: the market approach, income

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approach and the cost approach. Based on the testing, it was determined that the entire carrying value of goodwill was impaired. The loss on impairment of goodwill in the amount of \$54.8 million was recorded as an other expense in the statement of operations for the year ended December 31, 2009.

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Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 7. DEPOSITS**

The aggregate amount of time deposits in denominations of \$100,000 or more at December 31, 2009 and 2008 was \$504.3 million and \$677.8 million, respectively. The scheduled maturities of time deposits at December 31, 2009 are as follows:

| | (Dollars in Thousands) |
|------------|-----------------------------------|
| 2010 | \$ 693,873 |
| 2011 | 94,663 |
| 2012 | 50,085 |
| 2013 | 25,317 |
| 2014 | 7,386 |
| Thereafter | 26 |
| | \$ 871,350 |

The Company had brokered deposits of \$164.3 million and \$195.3 million at December 31, 2009 and 2008. The scheduled maturities of brokered deposits at December 31, 2009 and their weighted average costs are as follows:

| | Balance (Dollars in Thousands) | Average Cost |
|------|---|-------------------------|
| 2010 | \$ 46,000 | 1.15% |
| 2011 | 50,461 | 3.21 |
| 2012 | 40,081 | 2.87 |
| 2013 | 21,799 | 3.29 |
| 2014 | 6,000 | 3.00 |
| | \$ 164,341 | 2.56% |

NOTE 8. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements, which are secured borrowings, generally mature within one to four days from the transaction date. Securities sold under repurchase agreements are reflected at the amount of cash received in connection with the transactions. The Company may be required to provide additional collateral based on the fair value of the underlying securities. The Company monitors the fair value of the underlying securities on a daily basis. Securities sold under repurchase agreements at December 31, 2009 and 2008 were \$55.3 million and \$27.4 million, respectively.

NOTE 9. EMPLOYEE BENEFIT PLANS

The Company has established a retirement plan for eligible employees. The Ameris Bancorp 401(k) Profit Sharing Plan allows a participant to defer a portion of his compensation and provides that the Company will match a portion of the deferred compensation. The Plan also provides for non-elective and discretionary contributions. All full-time and part-time employees are eligible to participate in the Plan provided they have

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met the eligibility requirements. Generally, a participant must have completed twelve months of employment with a minimum of 1,000 hours and have attained an age of 21.

Aggregate expense under the plan charged to operations during 2009, 2008 and 2007 amounted to \$548,000, \$1.6 million and \$1.3 million, respectively. During 2009, the Company reduced contributions to the plan because of the net loss from operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. DEFERRED COMPENSATION PLANS

The Company and the Bank have entered into separate deferred compensation arrangements with certain former executive officers and directors. The plans call for certain amounts payable at retirement, death or disability. The estimated present value of the deferred compensation is being accrued over the expected service period. The Company and the Bank have purchased life insurance policies which they intend to use to finance this liability. Cash surrender value of life insurance of \$2.3 million and \$2.1 million at December 31, 2009 and 2008, is included in other assets. Accrued deferred compensation of \$1.0 million and \$1.3 million at December 31, 2009 and 2008, is included in other liabilities. Aggregate compensation expense under the plans was \$95,000, \$95,000 and \$119,000 for 2009, 2008 and 2007, respectively, and is included in other operating expenses.

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Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 11. OTHER BORROWINGS**

Other borrowings consist of the following:

| | December 31, | |
|---|-------------------------------|------------------|
| | 2009 | 2008 |
| | (Dollars in Thousands) | |
| Advances under revolving credit agreement with a regional bank with interest at thirty day LIBOR plus 1.35%, matured in December 2009, secured by subsidiary bank stock. | \$ - | \$ 5,000 |
| Advances from the FHLB with adjustable interest at three month LIBOR plus 0.32%, matured in August 2009. | - | 65,000 |
| Advances from Federal Home Loan Bank with interest at fixed rates (weighted average rate of 6.12%) convertible to a variable rate at the option of the lender, due at various dates through May 2010. | 2,000 | 2,000 |
| | \$ 2,000 | \$ 72,000 |

The advances from Federal Home Loan Bank are collateralized by a blanket lien on all first mortgage loans and other specific loans in addition to FHLB stock. At December 31, 2009, \$64.6 million was available for borrowing on lines with the FHLB.

As of December 31, 2009, the Company maintained credit arrangements with various financial institutions to purchase federal funds up to \$55 million. The Company also participates in the Federal Reserve discount window borrowings.

NOTE 12. PREFERRED STOCK

On November 21, 2008, Ameris sold 52,000 shares of preferred stock with a warrant to purchase 679,443 shares of the Company's common stock, to the U.S. Treasury under the Treasury's Capital Purchase Program. The proceeds from the sale of \$52 million were allocated between the preferred stock and the warrant based on their relative fair values at the time of the sale. Of the \$52 million in proceeds, \$48.98 million was allocated to the preferred stock and \$3.02 million was allocated to the warrant. The discount recorded on the preferred stock that resulted from allocating a portion of the proceeds to the warrant is being accreted as a portion of the preferred stock dividends in the Consolidated Statement of Operations to arrive at Net Income Available to Common Shareholders.

The preferred stock qualifies as Tier I capital and will pay cumulative dividends at a rate of 5% per annum for the first five years and 9% per annum thereafter. The preferred stock is redeemable at any time at \$1,000 per share plus any accrued and unpaid dividends with the consent of the Company's primary federal regulator.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 13. INCOME TAXES**

The income tax expense in the consolidated statements of income consists of the following:

| | For the Years Ended December 31, | | |
|----------|---|-------------|-------------|
| | 2009 | 2008 | 2007 |
| | (Dollars in Thousands) | | |
| Current | \$ (3,183) | \$ 2,597 | \$ 8,822 |
| Deferred | 10,480 | (4,650) | (1,522) |
| | \$ 7,297 | \$ (2,053) | \$ 7,300 |

The Company's income tax expense differs from the amounts computed by applying the federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

| | For the Years Ended December 31, | | |
|-------------------------------------|---|-------------|-------------|
| | 2009 | 2008 | 2007 |
| | (Dollars in Thousands) | | |
| Tax at federal income tax rate | \$ (12,073) | \$ (2,030) | \$ 7,859 |
| Increase (decrease) resulting from: | | | |
| Tax-exempt interest | (485) | (364) | (403) |
| Goodwill Impairment | 19,058 | - | - |
| Other | 797 | 341 | (156) |
| Provision for income taxes | \$ 7,297 | \$ (2,053) | \$ 7,300 |

Net deferred income tax assets (liabilities) of (\$2.0 million) and \$7.5 million at December 31, 2009 and 2008, respectively, are included in other assets. The components of deferred income taxes are as follows:

| | December 31, | |
|--------------------------------------|-------------------------------|-------------|
| | 2009 | 2008 |
| | (Dollars in Thousands) | |
| Deferred tax assets: | | |
| Loan loss reserves | \$ 12,524 | \$ 13,862 |
| Deferred compensation | 337 | 355 |
| Deferred gain on interest rate swap | 959 | - |
| Nonaccrual interest | 804 | 411 |
| Other real estate owned | 1,704 | 349 |
| Capitalized costs and deferred gains | 572 | 243 |

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| | | |
|--|-------------------|-----------------|
| | 16,900 | 15,220 |
| Deferred tax liabilities: | | |
| Depreciation and amortization | 3,679 | 3,231 |
| Intangible assets | 671 | 985 |
| Stock based compensation | 245 | 148 |
| Deferred gain on FDIC-assisted transactions | 11,929 | - |
| Unrealized gain on securities available for sale | 1,806 | 2,209 |
| Unrealized gain on cash flow hedge | 597 | 1,149 |
| | 18,927 | 7,722 |
| Net deferred tax asset (liability) | \$ (2,027) | \$ 7,498 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. SUBORDINATED DEFERRABLE INTEREST DEBENTURES

During 2005, the Company acquired First National Banc Statutory Trust I, a subsidiary of First National Banc, Inc., whose sole purpose was to issue \$5,000,000 principal amount of Trust Preferred Securities at a rate per annum equal to the 3-Month LIBOR plus 2.80% (3.05% at December 31, 2009) through a pool sponsored by a national brokerage firm. The Trust Preferred Securities have a maturity of 30 years and are redeemable at the Company's option on any quarterly interest payment date beginning in April, 2009. There are certain circumstances (as described in the Trust agreement) in which the securities may be redeemed within the first five years at the Company's option. The aggregate principal amount of trust preferred certificates outstanding at December 31, 2009 was \$5,000,000. The aggregate principal amount of Debentures outstanding was \$5,155,000.

During 2006, the Company formed Ameris Statutory Trust I, issuing trust preferred certificates in the aggregate principal amount of \$36,000,000. The related debentures issued by the Company were in the aggregate principal amount of \$37,114,000. Both the trust preferred securities and the related Debentures bear interest at 3-Month LIBOR plus 1.63% (1.88% at December 31, 2009). Distributions on the trust preferred securities are paid quarterly, with interest on the Debentures being paid on the corresponding dates. The trust preferred securities mature on December 15, 2036 and are redeemable at the Company's option beginning September 15, 2011.

Under applicable accounting standards, the assets and liabilities of such trusts, as well as the related income and expenses, are excluded from the Company's Consolidated Financial Statements. However, the subordinated debentures issued by the Company and purchased by the trusts remain on the Consolidated Balance Sheet. In addition, the related interest expense continues to be included in the Consolidated Statement of Operations. For regulatory capital purposes, the Trust Securities qualify as a component of Tier 1 Capital.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 15. STOCK-BASED COMPENSATION**

The Company awards its employees various forms of stock-based incentives under certain plans approved by its shareholders. Awards granted under the plans may be in the form of qualified or nonqualified stock options, restricted stock, stock appreciation rights (SARs), long-term incentive compensation units consisting of cash and common stock, or any combination thereof within the limitations set forth in the plans. The plans provide that the aggregate number of shares of the Company's common stock which may be subject to award may not exceed 1,785,000 subject to adjustment in certain circumstances to prevent dilution.

All stock options have an exercise price that is equal to the closing fair market value of the Company's stock on the date the options were granted. Options granted under the plans generally vest over a five year period and have a 10 year maximum term. Most options granted since 2005 contain performance-based vesting conditions.

As of December 31, 2009, the Company has outstanding a total of 87,450 restricted shares granted under the plans as compensation to certain employees. These shares carry dividend and voting rights. Sale of these shares is restricted prior to the date of vesting, which is three to five years from the date of the grant. Shares issued under the plans are recorded at their fair market value on the date of their grant. The compensation expense is recognized on a straight-line basis over the related vesting period. In 2008, certain performance based grants with different vesting structures failed to vest and the Company reversed amounts previously expensed amounting to \$431,000. In 2009 and 2007, compensation expense related to these grants was approximately \$201,000 and \$651,000, respectively.

It is the Company's policy to issue new shares for stock option exercises and restricted stock rather than issue treasury shares. The Company recognizes stock-based compensation expense on a straight-line basis over the options' related vesting term. Stock-based compensation expense related to stock options was approximately \$500,000, \$334,000 and \$444,000 for 2009, 2008 and 2007, respectively.

The weighted-average grant date fair value of non-performance based options granted during 2008 was \$3.40 per share. No non-performance based options were issued during 2009 or 2007. As of December 31, 2009, there was approximately \$136,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements for non-performance-based options. That cost is expected to be recognized over a weighted-average period of approximately one year. The total intrinsic value of those shares vested during the year ended December 31, 2009 and 2008 was \$0 and \$69,000, respectively.

A summary of the activity of non-performance based and performance based options as of December 31, 2009 is presented below:

| | Shares | Non-Performance Based | | | Performance Based | | |
|---------------------------------|----------|---------------------------------|-----------------------------------|------------------------------------|---------------------------------|-----------------------------------|------------------------------------|
| | | Weighted-Average Exercise Price | Weighted Average Contractual Term | Aggregate Intrinsic Value \$ (000) | Weighted-Average Exercise Price | Weighted Average Contractual Term | Aggregate Intrinsic Value \$ (000) |
| Under option, beginning of year | 291,686 | \$ 12.72 | | | 374,445 | \$ 20.40 | |
| Granted | - | - | | | 126,930 | 7.24 | |
| Exercised | - | - | | | - | - | |
| Forfeited | (33,703) | 11.32 | | | (21,832) | 21.69 | |
| Under option, end of year | 257,984 | \$ 12.90 | 4.44 | \$ - | 479,543 | \$ 16.86 | 7.20 \$ 29 |
| Exercisable at end of year | 227,603 | \$ 12.65 | - | \$ - | 311,724 | \$ 18.95 | - \$ 6 |

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NOTE 15. STOCK-BASED COMPENSATION (Continued)

Additional information pertaining to non-performance based options outstanding at December 31, 2009 is as follows:

| Range of Exercise Prices | Number Outstanding | Options Outstanding | Weighted- Average Contractual Life in Years | Weighted- Average Exercise Price | Options Exercisable | Weighted- Average Exercise Price |
|--------------------------------|-----------------------|---------------------|--|---|-----------------------|---|
| | | | | | Number Outstanding | |
| \$8.12 - 11.95 | 103,738 | | 1.44 | \$ 9.93 | 103,245 | \$ 9.98 |
| \$11.96 - 16.62 | 154,246 | | 6.45 | \$ 15.10 | 124,358 | \$ 15.10 |
| | 257,984 | | | | 227,603 | |

The weighted-average grant date fair value of options granted was \$1.88, \$3.01 and \$5.53 during 2009, 2008 and 2007, respectively. As of December 31, 2009, there was approximately \$715,000 of unrecognized compensation cost related to nonvested share-based compensation arrangements granted related to performance-based options. That cost is expected to be recognized over a weighted-average period of approximately 3 years.

Additional information pertaining to performance-based options outstanding at December 31, 2009 is as follows:

| Range of Exercise Prices | Number Outstanding | Options Outstanding | Weighted- Average Contractual Life in Years | Weighted- Average Exercise Price | Options Exercisable | Weighted- Average Exercise Price |
|--------------------------------|-----------------------|---------------------|--|---|-----------------------|---|
| | | | | | Number Outstanding | |
| \$5.62 - 13.64 | 137,085 | | 9.00 | \$ 7.72 | 29,448 | \$ 8.13 |
| \$17.73 - 28.10 | 342,458 | | 6.48 | \$ 20.51 | 282,276 | \$ 20.08 |
| | 479,543 | | | | 311,724 | |

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 15. STOCK-BASED COMPENSATION (Continued)**

The fair value of each stock-based compensation grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | Years Ended December 31, | | |
|-------------------------|--------------------------|--------------|--------------|
| | 2009 | 2008 | 2007 |
| Dividend yield | 2.60-3.50% | 3.69-4.61% | 1.99-2.52% |
| Expected life | 8 years | 8 years | 8 years |
| Expected volatility | 29.18-36.17% | 27.10-32.80% | 18.09-25.02% |
| Risk-free interest rate | 2.35-2.84% | 3.57-3.88% | 4.59-5.20% |

A summary of the status of the Company's restricted stock awards as of December 31, 2009 and changes during the year then ended is presented below:

| | Shares | Weighted-Average Grant-Date Fair Value |
|---------------------------------------|---------|--|
| Nonvested shares at January 1, 2009 | 16,100 | \$ 22.57 |
| Granted | 89,250 | 6.97 |
| Vested | (9,900) | 21.58 |
| Forfeited | (8,000) | 8.63 |
| Nonvested shares at December 31, 2009 | 87,450 | \$ 8.04 |

The balance of unearned compensation related to restricted stock grants as of December 31, 2009 and 2008 was approximately \$833,000 and \$223,000, respectively.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 16. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

During 2006, the Company purchased two derivative instruments to minimize the volatility in its net interest margin due to a reduction in the prime rate and the resulting effect on interest income from its variable rate loan portfolio. Each instrument had a notional amount of \$35 million, indexed to the prime rate with a 7% strike rate. One instrument matured in August, 2009 while the other instrument matures in August, 2011. The premium paid for these contracts was \$497,000.

These contracts are classified as cash flow hedges of an exposure to changes in the cash flow of a recognized asset. At December 31, 2009, the fair value of the remaining instrument totaled \$1.9 million, compared to \$3.7 million at December 31, 2008. As a cash flow hedge, the change in fair value of a hedge that is deemed to be highly effective is recognized in other comprehensive income and the portion deemed to be ineffective is recognized in earnings. As of December 31, 2009, the hedge is deemed to be highly effective.

NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES**Loan Commitments**

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

The Company's exposure to credit loss is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the Company's commitments is as follows:

| | December 31, | |
|-------------------------------------|-------------------------------|-------------|
| | 2009 | 2008 |
| | (Dollars in Thousands) | |
| Commitments to extend credit | \$ 143,868 | \$ 159,114 |
| Financial standby letters of credit | 3,921 | 6,358 |
| | \$ 147,789 | \$ 165,472 |

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 amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Loan Commitments (Continued)

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Collateral is required in instances which the Company deems necessary. The Company has not been required to perform on any material financial standby letters of credit and the Company has not incurred any losses on financial standby letters of credit for the years ended December 31, 2009 and 2008.

At December 31, 2009, the Company had guaranteed the debt of certain non-executive officers' liabilities at another financial institution totaling approximately \$490,000. These guarantees represent the available credit line of those certain officers for the purchase of Company stock. Any stock purchased under this program will be assigned to the Company and held in safekeeping. The Company has not been required to perform on any of these guarantees for the year ended December 31, 2009.

Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material effect on the Company's financial statements.

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 18. REGULATORY MATTERS**

The Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2009, no amounts of retained earnings were available for dividend declaration without regulatory approval.

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier I capital, as defined by the regulations, to risk-weighted assets, as defined, and of Tier I capital to average assets, as defined. Management believes, as of December 31, 2009 and 2008, the Company and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2009, the most recent notification from the regulatory authorities categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category. Prompt corrective action provisions are not applicable to bank holding companies.

The Company's and Bank's actual capital amounts and ratios are presented in the following table.

| | Actual | | For Capital Adequacy Purposes | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|--|------------|---------|-------------------------------|--------|--|-----------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| As of December 31, 2009 | | | | | | |
| Total Capital to Risk Weighted Assets | | | | | | |
| Consolidated | \$ 245,615 | 14.79 % | \$ 132,866 | 8.00 % | | ---N/A--- |
| Ameris Bank | \$ 240,870 | 14.53 % | \$ 132,588 | 8.00 % | \$ 165,735 | 10.00% |
| Tier I Capital to Risk Weighted Assets: | | | | | | |
| Consolidated | \$ 224,670 | 13.53 % | \$ 66,483 | 4.00 % | | ---N/A--- |
| Ameris Bank | \$ 219,967 | 13.27 % | \$ 66,294 | 4.00 % | \$ 165,735 | 10.00% |
| Tier I Capital to Average Assets: | | | | | | |
| Consolidated | \$ 224,670 | 9.35 % | \$ 96,122 | 4.00 % | | ---N/A--- |
| Ameris Bank | \$ 219,967 | 9.61 % | \$ 91,579 | 4.00 % | \$ 228,946 | 10.00% |
| As of December 31, 2008 | | | | | | |
| Total Capital to Risk Weighted Assets | | | | | | |
| Consolidated | \$ 238,069 | 13.25 % | \$ 143,740 | 8.00 % | | ---N/A--- |
| Ameris Bank | \$ 188,594 | 10.41 % | \$ 144,933 | 8.00 % | \$ 181,166 | 10.00% |
| Tier I Capital to Risk Weighted Assets: | | | | | | |
| Consolidated | \$ 215,400 | 11.99 % | \$ 71,860 | 4.00 % | | ---N/A--- |

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| | | | | | | |
|-----------------------------------|------------|--------|-----------|--------|------------|----------|
| Ameris Bank | \$ 165,748 | 9.15 % | \$ 72,458 | 4.00 % | \$ 108,687 | 6.00% |
| Tier I Capital to Average Assets: | | | | | | |
| Consolidated | \$ 215,400 | 9.42 % | \$ 91,465 | 4.00 % | | ---N/A-- |
| Ameris Bank | \$ 165,748 | 7.25 % | \$ 91,447 | 4.00 % | \$ 114,309 | 5.00% |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted *Fair Value Measurements* which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements has been applied prospectively as of the beginning of the period and 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, and 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.

Additionally, in accordance with *Disclosures about Fair Value of Financial Instruments*, certain financial instruments and all nonfinancial instruments are excluded from its disclosure requirements requires the disclosure of information about financial instruments, whether or not recognized on the face of the balance sheet, for which it is practical to estimate that value. Where quoted prices are not available, fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows are significantly affected by the estimates of future cash flows and discount rates. The following disclosures are not a calculation of the liquidation value of the Company, but rather a good faith estimate of the increase or decrease in value of financial instruments held by the Company.

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

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

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. Fair value of securities is based on available quoted market prices.

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

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NOTE 19. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

Derivatives The Company's current hedging strategies involve utilizing interest rate floors. 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 December 31, 2009, the Company had cash flow hedges with a notional amount of \$35 million for the purpose of converting floating rate assets to fixed rate.

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 most cases, management has determined that additional write-downs are required beyond what is calculable from the appraisal to carry the property at levels that would attract buyers. Because this additional write-down is not based on observable inputs, management has determined that other real estate owned should be classified as Level 3.

Covered Assets Covered assets include loans and other real estate owned on which any losses would be covered by loss-sharing agreements with the FDIC. Covered loans and other real estate owned totaled \$137.2 million and \$9.3 million at December 31, 2009, respectively. Management initially valued these assets at fair value using mostly unobservable inputs and, as such, has classified these assets as level 3.

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NOTE 19. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table presents the fair value measurements of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of December 31, 2009 and 2008:

| Fair Value Measurements on a Recurring Basis As of December 31, 2009 | | | | |
|---|-------------------|--|---|--|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| (Dollars in Thousands) | | | | |
| Securities available for sale | \$ 245,556 | \$ - | \$ 243,556 | \$ 2,000 |
| Derivative financial instruments | 1,882 | - | 1,882 | - |
| Total recurring assets at fair value | \$ 247,438 | \$ - | \$ 245,438 | \$ 2,000 |

| Fair Value Measurements on a Recurring Basis As of December 31, 2008 | | | | |
|---|-------------------|--|---|--|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| (Dollars in Thousands) | | | | |
| Securities available for sale | \$ 367,894 | \$ 5,031 | \$ 360,863 | \$ 2,000 |
| Derivative financial instruments | 3,697 | - | 3,697 | - |
| Total recurring assets at fair value | \$ 371,591 | \$ 5,031 | \$ 364,560 | \$ 2,000 |

Following is a description of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy for the year ended 2009 and 2008:

| Fair Value Measurements on a Nonrecurring Basis As of December 31, 2009 | | | |
|--|--|--|--|
| Fair Value | Quoted Prices in Active Markets for | Significant Other Observable Inputs | Significant Unobservable Inputs (Level 3) |

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| | | Identical Assets (Level 1) | (Level 2) | |
|--|-------------------|---|------------------|-------------------|
| | | (Dollars in Thousands) | | |
| Impaired loans carried at fair value | \$ 96,131 | \$ - | \$ 96,131 | \$ - |
| Other real estate owned | 23,316 | - | - | 23,316 |
| Covered assets | 146,585 | - | - | 146,585 |
| Total nonrecurring assets at fair value | \$ 266,032 | \$ - | \$ 96,131 | \$ 169,901 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

| | Fair Value Measurements on a Nonrecurring Basis As of December 31, 2008 | | | |
|--|--|--|---|--|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (Dollars in Thousands) | | | |
| Impaired loans carried at fair value | \$ 65,414 | \$ - | \$ 64,027 | \$ 1,387 |
| Other real estate owned | 4,742 | | 4,742 | |
| Total nonrecurring assets at fair value | \$ 70,156 | \$ - | \$ 68,769 | \$ 1,387 |

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Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 19. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Below is the Company's reconciliation of Level 3 assets recorded at fair value on a recurring basis as of December 31, 2009. Gains or losses on impaired loans are recorded in the provision for loan losses.

| | Investment Securities Available for Sale (Dollars in Thousands) | Impaired Loans |
|---|--|---------------------------|
| Beginning balance, January 1, 2009 | \$ 2,000 | \$ 1,387 |
| Total gains/(losses) included in net income | - | - |
| Purchases, sales, issuances, and settlements, net | - | (1,387) |
| Transfers in or out of Level 3 | - | - |
| Ending balance, December 31, 2009 | \$ 2,000 | \$ - |

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

| | December 31, 2009 | | December 31, 2008 | |
|-------------------------------|-------------------------------|-----------------------|----------------------------|-----------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | (Dollars in Thousands) | | | |
| Financial assets: | | | | |
| Loans, net | \$ 1,548,597 | \$ 1,561,183 | \$ 1,656,125 | \$ 1,671,499 |
| Financial liabilities: | | | | |
| Deposits | 2,123,116 | 2,125,834 | 2,013,525 | 2,019,964 |
| Other borrowings | 2,000 | 2,040 | 72,000 | 71,545 |

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 20. CONDENSED FINANCIAL INFORMATION OF AMERIS BANCORP (PARENT COMPANY ONLY)****CONDENSED BALANCE SHEETS****DECEMBER 31, 2009 AND 2008****(Dollars in Thousands)**

| | 2009 | 2008 |
|---|-------------------|-------------------|
| Assets | | |
| Cash and due from banks | \$ 6,233 | \$ 51,656 |
| Investment in subsidiaries | 228,522 | 230,708 |
| Other assets | 3,403 | 5,833 |
| Total assets | \$ 238,158 | \$ 288,197 |
| Liabilities | | |
| Other borrowings | \$ - | \$ 5,000 |
| Other liabilities | 925 | 1,569 |
| Subordinated deferrable interest debentures | 42,269 | 42,269 |
| Total liabilities | 43,194 | 48,838 |
| Stockholders' equity | 194,964 | 239,359 |
| Total liabilities and stockholders' equity | \$ 238,158 | \$ 288,197 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20. CONDENSED FINANCIAL INFORMATION OF AMERIS BANCORP (PARENT COMPANY ONLY) (Continued)

CONDENSED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Dollars in Thousands)

| | 2009 | 2008 | 2007 |
|---|-----------------|----------------|--------------|
| Income | | | |
| Dividends from subsidiaries | \$ - | \$ 5,700 | \$ 9,000 |
| Fee income from subsidiaries | - | - | - |
| Other income | 221 | 130 | 277 |
| Total income | 221 | 5,830 | 9,277 |
| Expense | | | |
| Interest | 1,766 | 2,404 | 3,534 |
| Other expense | 757 | (87) | 1,255 |
| Total expense | 2,523 | 2,317 | 4,789 |
| Income/(loss) before income tax benefits and equity in undistributed earnings of subsidiaries | (2,302) | 3,513 | 4,488 |
| Income tax benefits | 683 | 626 | 1,526 |
| Income before equity in undistributed earnings of subsidiaries | (1,619) | 4,139 | 6,014 |
| Equity in undistributed earnings (loss) of subsidiaries | (40,170) | (8,055) | 9,139 |
| Net (loss)/ income | \$ (41,789) | \$ (3,916) | \$ 15,153 |
| Preferred stock dividend | 3,161 | 328 | - |
| Net income available to common shareholders | \$ (44,950) | \$ (4,244) | \$ 15,153 |

Index to Financial Statements**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 20. CONDENSED FINANCIAL INFORMATION OF AMERIS BANCORP (PARENT COMPANY ONLY) (Continued)****CONDENSED STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007****(Dollars in Thousands)**

| | 2009 | 2008 | 2007 |
|--|--------------------|-------------------|------------------|
| OPERATING ACTIVITIES | | | |
| Net (loss)/income | \$ (41,789) | \$ (3,916) | \$ 15,153 |
| Adjustments to reconcile net (loss)/income to net cash provided by operating activities: | | | |
| Stock-based compensation expense | 701 | (97) | 1,095 |
| Undistributed (earnings)/losses of subsidiaries | 40,170 | 8,055 | (9,139) |
| Increase (decrease) in interest payable | 16 | (37) | 106 |
| Increase (decrease) in tax receivable | 3,521 | (1,373) | (1,658) |
| Provision for deferred taxes | 866 | 176 | 61 |
| Accretion of discount on preferred stock | 524 | 53 | - |
| (Increase) decrease in due from subsidiaries | 81 | (122) | (40) |
| Other operating activities | (536) | (1,053) | (2,071) |
| Total adjustments | 45,343 | 5,602 | (11,646) |
| Net cash provided by operating activities | 3,554 | 1,686 | 3,507 |
| INVESTING ACTIVITIES | | | |
| Contribution of capital to subsidiary bank | (40,000) | - | - |
| Net cash used in investing activities | (40,000) | - | - |
| FINANCING ACTIVITIES | | | |
| Repayments of other borrowings and debentures | (5,000) | - | - |
| Purchase of treasury shares | (25) | (18) | (176) |
| Dividends paid preferred stock | (2,583) | - | - |
| Cash dividends paid common stock | (1,358) | (5,155) | (7,510) |
| Cash paid for fractional shares | (17) | - | - |
| Proceeds allocated to issuance of preferred stock | - | 48,975 | - |
| Proceeds allocated to issuance of warrant | - | 3,025 | - |
| Proceeds from exercise of stock options | 6 | 334 | 176 |
| Net cash used in financing activities | (8,977) | 47,161 | (7,510) |
| Net increase (decrease) in cash and due from banks | (45,423) | 48,847 | (4,003) |
| Cash and due from banks at beginning of year | 51,656 | 2,809 | 6,812 |

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| | | | |
|--|----------|-----------|----------|
| Cash and due from banks at end of year | \$ 6,233 | \$ 51,656 | \$ 2,809 |
|--|----------|-----------|----------|

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|--|----------|----------|----------|
| Cash paid during the year for interest | \$ 1,766 | \$ 2,441 | \$ 3,428 |
|--|----------|----------|----------|

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