

Ameris Bancorp  
Form 10-Q  
November 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

Commission File Number: 001-13901

**AMERIS BANCORP**

(Exact name of registrant as specified in its charter)

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**GEORGIA**  
(State of incorporation)

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

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

(Address of principal executive offices)

**(229) 890-1111**

(Registrant's telephone number)

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

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

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

Large accelerated filer ☐ Accelerated filer ☒

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

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

There were 23,819,144 shares of Common Stock outstanding as of October 31, 2012.

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**AMERIS BANCORP**

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**Table of Contents****Item 1. Financial Statements.****AMERIS BANCORP AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(Dollars in Thousands)**

|                                                         | <b>September 30,<br/>2012<br/>(Unaudited)</b> | <b>December 31,<br/>2011<br/>(Audited)</b> | <b>September 30,<br/>2011<br/>(Unaudited)</b> |
|---------------------------------------------------------|-----------------------------------------------|--------------------------------------------|-----------------------------------------------|
| <b>Assets</b>                                           |                                               |                                            |                                               |
| Cash and due from banks                                 | \$ 57,289                                     | \$ 65,528                                  | \$ 55,761                                     |
| Federal funds sold and interest bearing accounts        | 66,872                                        | 229,042                                    | 170,349                                       |
| Investment securities available for sale, at fair value | 361,051                                       | 339,967                                    | 340,839                                       |
| Other investments                                       | 7,003                                         | 9,878                                      | 11,089                                        |
| Mortgage loans held for sale                            | 29,021                                        | 11,563                                     | 8,867                                         |
| Loans                                                   | 1,439,862                                     | 1,332,086                                  | 1,368,895                                     |
| Covered loans                                           | 546,234                                       | 571,489                                    | 595,428                                       |
| Less: allowance for loan losses                         | 25,901                                        | 35,156                                     | 35,238                                        |
| Loans, net                                              | 1,960,195                                     | 1,868,419                                  | 1,929,085                                     |
| Foreclosed assets                                       | 37,325                                        | 46,680                                     | 50,866                                        |
| Covered foreclosed assets                               | 88,895                                        | 78,617                                     | 81,907                                        |
| Total foreclosed assets                                 | 126,220                                       | 125,297                                    | 132,773                                       |
| FDIC indemnification asset                              | 198,440                                       | 242,394                                    | 239,719                                       |
| Premises and equipment, net                             | 75,609                                        | 73,124                                     | 71,848                                        |
| Cash value of bank owned life insurance                 | 50,087                                        |                                            |                                               |
| Intangible assets, net                                  | 3,404                                         | 3,250                                      | 3,471                                         |
| Goodwill                                                | 956                                           | 956                                        | 956                                           |
| Other assets                                            | 13,236                                        | 24,889                                     | 45,622                                        |
| Total assets                                            | \$ 2,949,383                                  | \$ 2,994,307                               | \$ 3,010,379                                  |
| <b>Liabilities and Stockholders' Equity</b>             |                                               |                                            |                                               |
| <b>Liabilities</b>                                      |                                               |                                            |                                               |
| <b>Deposits:</b>                                        |                                               |                                            |                                               |
| Noninterest-bearing                                     | \$ 464,503                                    | \$ 395,347                                 | \$ 354,434                                    |
| Interest-bearing                                        | 2,115,614                                     | 2,196,219                                  | 2,274,458                                     |
| Total deposits                                          | 2,580,117                                     | 2,591,566                                  | 2,628,892                                     |
| Securities sold under agreements to repurchase          | 17,404                                        | 37,665                                     | 13,180                                        |
| Other borrowings                                        |                                               | 20,000                                     | 21,000                                        |
| Other liabilities                                       | 10,387                                        | 9,037                                      | 10,616                                        |
| Subordinated deferrable interest debentures             | 42,269                                        | 42,269                                     | 42,269                                        |
| Total liabilities                                       | 2,650,177                                     | 2,700,537                                  | 2,715,957                                     |

Commitments and contingencies

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|                                                                                                          |              |              |              |
|----------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| <b>Stockholders' Equity</b>                                                                              |              |              |              |
| Preferred stock, stated value \$1,000; 5,000,000 shares authorized; 52,000 shares issued                 | 51,207       | 50,727       | 50,572       |
| Common stock, par value \$1; 100,000,000 shares authorized; 25,155,318, 25,087,468 and 25,078,968 issued | 25,155       | 25,087       | 25,079       |
| Capital surplus                                                                                          | 164,182      | 166,639      | 166,385      |
| Retained earnings                                                                                        | 62,156       | 54,852       | 54,530       |
| Accumulated other comprehensive income                                                                   | 7,337        | 7,296        | 8,687        |
| Treasury stock, at cost, 1,336,174 shares                                                                | (10,831)     | (10,831)     | (10,831)     |
| Total stockholders' equity                                                                               | 299,206      | 293,770      | 294,422      |
| Total liabilities and stockholders' equity                                                               | \$ 2,949,383 | \$ 2,994,307 | \$ 3,010,379 |

See notes to unaudited consolidated financial statements.

**Table of Contents****AMERIS BANCORP AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(Dollars in Thousands, Except Per Share Data)****(Unaudited)**

|                                                            | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|------------------------------------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                                            | <b>2012</b>                                 | <b>2011</b> | <b>2012</b>                                | <b>2011</b> |
| <b>Interest income</b>                                     |                                             |             |                                            |             |
| Interest and fees on loans                                 | \$ 29,165                                   | \$ 31,633   | \$ 88,981                                  | \$ 93,480   |
| Interest on taxable securities                             | 2,017                                       | 2,672       | 6,513                                      | 7,904       |
| Interest on nontaxable securities                          | 365                                         | 330         | 1,104                                      | 964         |
| Interest on deposits in other banks and federal funds sold | 104                                         | 153         | 342                                        | 500         |
| Total interest income                                      | 31,651                                      | 34,788      | 96,940                                     | 102,848     |
| <b>Interest expense</b>                                    |                                             |             |                                            |             |
| Interest on deposits                                       | 3,005                                       | 6,431       | 10,724                                     | 20,631      |
| Interest on other borrowings                               | 408                                         | 555         | 1,370                                      | 1,461       |
| Total interest expense                                     | 3,413                                       | 6,986       | 12,094                                     | 22,092      |
| Net interest income                                        | 28,238                                      | 27,802      | 84,846                                     | 80,756      |
| <b>Provision for loan losses</b>                           | 6,540                                       | 7,552       | 26,647                                     | 23,710      |
| Net interest income after provision for loan losses        | 21,698                                      | 20,250      | 58,199                                     | 57,046      |
| <b>Noninterest income</b>                                  |                                             |             |                                            |             |
| Service charges on deposit accounts                        | 5,121                                       | 4,666       | 14,277                                     | 13,598      |
| Mortgage banking activity                                  | 3,740                                       | 707         | 8,221                                      | 1,533       |
| Other service charges, commissions and fees                | 331                                         | 392         | 1,044                                      | 907         |
| Gain on acquisitions                                       |                                             | 26,867      | 20,037                                     | 26,867      |
| Gain on sale of securities                                 |                                             |             |                                            | 238         |
| Other noninterest income                                   | 639                                         | 1,090       | 2,391                                      | 2,746       |
| Total noninterest income                                   | 9,831                                       | 33,722      | 45,970                                     | 45,889      |
| <b>Noninterest expense</b>                                 |                                             |             |                                            |             |
| Salaries and employee benefits                             | 13,766                                      | 10,029      | 37,337                                     | 29,293      |
| Equipment and occupancy expenses                           | 3,340                                       | 3,203       | 9,555                                      | 8,685       |
| Amortization of intangible assets                          | 364                                         | 277         | 996                                        | 782         |
| Data processing and telecommunications expenses            | 2,599                                       | 2,817       | 7,429                                      | 7,665       |
| Advertising and marketing expenses                         | 421                                         | 189         | 1,134                                      | 501         |
| Other non-interest expenses                                | 8,320                                       | 12,748      | 33,228                                     | 26,088      |
| Total noninterest expense                                  | 28,810                                      | 29,263      | 89,679                                     | 73,014      |
| Income before income tax expense                           | 2,719                                       | 24,709      | 14,490                                     | 29,921      |
| Applicable income tax expense                              | 816                                         | 8,249       | 4,727                                      | 9,969       |

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|                                                                                                              |          |           |          |           |
|--------------------------------------------------------------------------------------------------------------|----------|-----------|----------|-----------|
| Net income                                                                                                   | \$ 1,903 | \$ 16,460 | \$ 9,763 | \$ 19,952 |
| Preferred stock dividends                                                                                    | 827      | 817       | 2,459    | 2,422     |
| Net income available to common shareholders                                                                  | \$ 1,076 | \$ 15,643 | \$ 7,304 | \$ 17,530 |
| <b>Other comprehensive income</b>                                                                            |          |           |          |           |
| Unrealized holding gain (loss) arising during period on investment securities available for sale, net of tax | (228)    | 2,803     | 1,017    | 4,791     |
| Reclassification adjustment for gains included in earnings, net of tax                                       |          |           |          | (154)     |
| Unrealized loss on cash flow hedges arising during period, net of tax                                        | (240)    | (1,526)   | (976)    | (2,154)   |
| <b>Other comprehensive income</b>                                                                            | (468)    | 1,277     | 41       | 2,483     |
|                                                                                                              | \$ 608   | \$ 16,920 | \$ 7,345 | \$ 20,013 |
| <b>Basic earnings per share</b>                                                                              | \$ 0.05  | \$ 0.67   | \$ 0.31  | \$ 0.75   |
| <b>Diluted earnings per share</b>                                                                            | \$ 0.04  | \$ 0.66   | \$ 0.30  | \$ 0.74   |
| <b>Weighted Average Common Shares Outstanding</b>                                                            |          |           |          |           |
| Basic                                                                                                        | 23,819   | 23,438    | 23,800   | 23,439    |
| Diluted                                                                                                      | 23,973   | 23,559    | 23,954   | 23,530    |

See notes to unaudited consolidated financial statements.

**Table of Contents****AMERIS BANCORP AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(Dollars in Thousands, Except Per Share Data)

(Unaudited)

|                                                           | Nine Months Ended<br>September 30, 2012 |                   | Nine Months Ended<br>September 30, 2011 |                   |
|-----------------------------------------------------------|-----------------------------------------|-------------------|-----------------------------------------|-------------------|
|                                                           | Shares                                  | Amount            | Shares                                  | Amount            |
| <b>PREFERRED STOCK</b>                                    |                                         |                   |                                         |                   |
| Balance at beginning of period                            | 52,000                                  | \$ 50,727         | 52,000                                  | \$ 50,121         |
| Accretion of fair value of warrant                        |                                         | 480               |                                         | 451               |
| <i>Issued at end of period</i>                            | <b>52,000</b>                           | <b>\$ 51,207</b>  | <b>52,000</b>                           | <b>\$ 50,572</b>  |
| <b>COMMON STOCK</b>                                       |                                         |                   |                                         |                   |
| Issued at beginning of period                             | 25,087,468                              | \$ 25,087         | 24,982,911                              | \$ 24,983         |
| Issuance of restricted shares                             | 67,450                                  | 67                | 125,075                                 | 125               |
| Cancellation of restricted shares                         |                                         |                   | (32,650)                                | (33)              |
| Proceeds from exercise of stock options                   | 400                                     | 1                 | 3,632                                   | 4                 |
| <i>Issued at end of period</i>                            | <b>25,155,318</b>                       | <b>\$ 25,155</b>  | <b>25,078,968</b>                       | <b>\$ 25,079</b>  |
| <b>CAPITAL SURPLUS</b>                                    |                                         |                   |                                         |                   |
| Balance at beginning of period                            |                                         | \$ 166,639        |                                         | \$ 165,930        |
| Repurchase of warrants                                    |                                         | (2,670)           |                                         |                   |
| Stock-based compensation                                  |                                         | 278               |                                         | 522               |
| Proceeds from exercise of stock options                   |                                         | 2                 |                                         | 25                |
| Issuance of restricted shares                             |                                         | (67)              |                                         | (125)             |
| Cancellation of restricted shares                         |                                         |                   |                                         | 33                |
| <i>Balance at end of period</i>                           |                                         | <b>\$ 164,182</b> |                                         | <b>\$ 166,385</b> |
| <b>RETAINED EARNINGS</b>                                  |                                         |                   |                                         |                   |
| Balance at beginning of period                            |                                         | \$ 54,852         |                                         | \$ 37,000         |
| Net income                                                |                                         | 9,763             |                                         | 19,952            |
| Dividends on preferred shares                             |                                         | (1,979)           |                                         | (1,971)           |
| Accretion of fair value of warrant                        |                                         | (480)             |                                         | (451)             |
| <i>Balance at end of period</i>                           |                                         | <b>\$ 62,156</b>  |                                         | <b>\$ 54,530</b>  |
| <b>ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX</b> |                                         |                   |                                         |                   |
| Unrealized gains on securities and derivatives:           |                                         |                   |                                         |                   |
| Balance at beginning of period                            |                                         | \$ 7,296          |                                         | \$ 6,204          |
| Other comprehensive income                                |                                         | 41                |                                         | 2,483             |
| <i>Balance at end of period</i>                           |                                         | <b>\$ 7,337</b>   |                                         | <b>\$ 8,687</b>   |
| <b>TREASURY STOCK</b>                                     |                                         |                   |                                         |                   |
| Balance at beginning of period                            |                                         | \$ 10,831         |                                         | \$ 10,831         |
| Purchase of treasury shares                               |                                         |                   |                                         |                   |
| <i>Balance at end of period</i>                           |                                         | <b>\$ 10,831</b>  |                                         | <b>\$ 10,831</b>  |



***TOTAL STOCKHOLDERS' EQUITY***

**\$ 299,206**

**\$ 294,422**

See notes to unaudited consolidated financial statements.

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**AMERIS BANCORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in Thousands)

(Unaudited)

|                                                                                      | Nine Months Ended<br>September 30, |                    |
|--------------------------------------------------------------------------------------|------------------------------------|--------------------|
|                                                                                      | 2012                               | 2011               |
| <b>Cash Flows From Operating Activities:</b>                                         |                                    |                    |
| Net income                                                                           | \$ 9,763                           | \$ 19,952          |
| Adjustments reconciling net income to net cash provided by operating activities:     |                                    |                    |
| Depreciation                                                                         | 3,585                              | 3,248              |
| Net (gains) losses on sale or disposal of premises and equipment                     | 163                                | (148)              |
| Net losses or write-downs on sale of other real estate owned                         | 9,048                              | 9,962              |
| Provision for loan losses                                                            | 26,647                             | 23,710             |
| Gain on acquisitions                                                                 | (20,037)                           | (26,867)           |
| Amortization of intangible assets                                                    | 996                                | 782                |
| Net change in mortgage loans held for sale                                           | (17,458)                           | (8,867)            |
| Net gains on securities available for sale                                           |                                    | (238)              |
| Change in other prepaids, deferrals and accruals, net                                | 16,236                             | 14,104             |
| <b>Net cash provided by operating activities</b>                                     | <b>28,943</b>                      | <b>35,638</b>      |
| <b>Cash Flows From Investing Activities, net of effect of business combinations:</b> |                                    |                    |
| Net decrease in federal funds sold and interest bearing deposits                     | 162,170                            | 95,983             |
| Proceeds from maturities of securities available for sale                            | 82,623                             | 59,655             |
| Purchase of securities available for sale                                            | (89,787)                           | (116,228)          |
| Proceeds from sales of securities available for sale                                 | 27,563                             | 89,345             |
| Purchase bank owned life insurance                                                   | (50,000)                           |                    |
| Net (increase) decrease in loans                                                     | (53,660)                           | 49,071             |
| Proceeds from sales of other real estate owned                                       | 57,443                             | 36,885             |
| Proceeds from sales of premises and equipment                                        | 409                                | 1,115              |
| Purchases of premises and equipment                                                  | (6,642)                            | (9,573)            |
| Decrease in FDIC indemnification asset                                               | 96,608                             | 20,519             |
| Net cash proceeds received from FDIC-assisted acquisitions                           | 220,516                            | 38,017             |
| <b>Net cash provided by investing activities</b>                                     | <b>447,243</b>                     | <b>264,789</b>     |
| <b>Cash Flows From Financing Activities, net of effect of business combinations:</b> |                                    |                    |
| Net decrease in deposits                                                             | (429,185)                          | (218,522)          |
| Net decrease in securities sold under agreements to repurchase                       | (20,261)                           | (55,004)           |
| Decrease in other borrowings                                                         | (30,334)                           | (43,495)           |
| Dividends paid preferred stock                                                       | (1,979)                            | (1,971)            |
| Repurchase of warrants                                                               | (2,670)                            |                    |
| Proceeds from exercise of stock options                                              | 4                                  |                    |
| <b>Net cash used in financing activities</b>                                         | <b>(484,425)</b>                   | <b>(318,992)</b>   |
| <b>Net decrease in cash and due from banks</b>                                       | <b>\$ (8,239)</b>                  | <b>\$ (18,565)</b> |
| <b>Cash and due from banks at beginning of period</b>                                | <b>65,528</b>                      | <b>74,326</b>      |

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| <b>Cash and due from banks at end of period</b> | <b>\$ 57,289</b> | <b>\$ 55,761</b> |
|-------------------------------------------------|------------------|------------------|

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the period for:

|              |           |           |
|--------------|-----------|-----------|
| Interest     | \$ 13,699 | \$ 23,456 |
| Income taxes | \$ 52     | \$ 2,198  |

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

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**AMERIS BANCORP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(Unaudited)**

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

Ameris Bancorp (the Company or Ameris) is a financial holding company headquartered in Moultrie, Georgia. Ameris conducts substantially all of its operations through its wholly-owned banking subsidiary, Ameris Bank (the Bank). At September 30, 2012, the Bank operated 66 branches in select markets in Georgia, Alabama, Florida and South Carolina. Our business model capitalizes on the efficiencies of a large financial services company while still providing the community with the personalized banking service expected by our customers. We manage our Bank through a balance of decentralized management responsibilities and efficient centralized operating systems, products and loan underwriting standards. Ameris Board of Directors and senior managers establish corporate policy, strategy and administrative policies. Within Ameris established guidelines and policies, the banker closest to the customer responds to the differing needs and demands of his or her unique market.

The accompanying unaudited consolidated financial statements for Ameris have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. The interim consolidated financial statements included herein are unaudited, but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the period ended September 30, 2012 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto and the report of our registered independent public accounting firm included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

***Newly Adopted Accounting Pronouncements***

ASU 2011-04 *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 generally represents clarifications of Topic 820, but also includes some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. ASU 2011-04 results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 is to be applied prospectively and is effective during interim and annual periods beginning after December 15, 2011 for public companies. It did not have a material impact on the Company's results of operations, financial position or disclosures.

ASU 2011-05 *Amendments to Topic 220, Comprehensive Income* (ASU 2011-05). ASU 2011-05 grants an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU 2011-05 does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. For public entities, ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, and is to be adopted retrospectively. It did not have a material impact on the Company's results of operations, financial position or disclosures.

ASU 2011-08 *Intangibles - Goodwill and Other (Topic 350) Testing Goodwill for Impairment* (ASU 2011-08). ASU 2011-08 grants an entity the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. This conclusion can be used as a basis for determining whether it is necessary to perform the two-step goodwill impairment test required in Topic 350. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. It is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

***Fair Value of Financial Instruments***

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

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The Company has elected to record mortgage loans held for sale at fair value in order to eliminate the complexities and inherent difficulties of achieving hedge accounting and to better align reported results with the underlying economic changes in value of the loans and related hedge instruments. This election impacts the timing and recognition of origination fees and costs, as well as servicing value, which are now recognized in earnings at the time of origination. Interest income on mortgage loans held for sale is recorded on an accrual basis in the consolidated statement of income under the heading Interest income Interest and fees on loans . The servicing value is included in the fair value of the Interest Rate Lock Commitments ( IRLCs ) with borrowers. The mark-to-market adjustments related to loans held for sale and the associated economic hedges are captured in mortgage banking activities.

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

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

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

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

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

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

**Investment Securities Available for Sale:** The fair value of securities available for sale is determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and municipal bonds. The level 2 fair value pricing is provided by an independent third-party and is based upon similar securities in an active market. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain residual municipal securities and other less liquid securities.

**Other Investments:** Federal Home Loan Bank ( FHLB ) stock is included in other investments at its original cost basis, as cost approximates fair value and there is no ready market for such investments.

**Mortgage Loans Held for Sale:** The fair value of mortgage loans held for sale is determined on outstanding commitments from third party investors in the secondary markets and are classified within Level 2 of the valuation hierarchy.

**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 expected future cash flows or underlying collateral values, where applicable. A loan is determined to be impaired if the Company believes it is probable that all principal and interest amounts due according to the terms of the loan will not be collected as scheduled. The fair value of impaired loans is determined in accordance with accounting standards and generally results in a specific reserve established through a charge to the provision for loan losses. Losses on impaired loans are charged to the allowance when management believes the uncollectability of a loan is confirmed. Management has determined that the majority of impaired loans are Level 2 assets due to the extensive use of market appraisals. To the extent that market appraisals or other methods do not produce reliable determinations of fair value, these assets are deemed to be Level 3.

**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 the majority of losses would be covered by loss-sharing agreements with the Federal Deposit Insurance Corporation (the FDIC ). 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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**Intangible Assets and Goodwill:** 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 an estimated useful life of three to ten years. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill and other intangible assets deemed to have an indefinite useful life are not amortized but instead are subject to an annual review for impairment.

**FDIC Indemnification Asset:** Because the FDIC will reimburse the Company for certain acquired loans should the Company experience a loss, an indemnification asset is recorded at fair value at the acquisition date. The indemnification asset is recognized at the same time as the indemnified loans and measured on the same basis, subject to collectability or contractual limitations. The shared-loss agreements on the acquisition date reflect the reimbursements expected to be received from the FDIC, using an appropriate discount rate which reflects counterparty credit risk and other uncertainties. The shared-loss agreements continue to be measured on the same basis as the related indemnified loans, and the loss-share receivable is impacted by changes in estimated cash flows associated with these loans.

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

**Securities Sold under Agreements to Repurchase and Other Borrowings:** The carrying amount of variable rate borrowings and securities sold under repurchase agreements approximates fair value. The fair value of fixed rate other borrowings is estimated based on discounted contractual cash flows using the current incremental borrowing rates for similar 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:** Because commitments to extend credit and standby letters of credit are typically made using variable rates and have short maturities, the carrying value and fair value are immaterial for disclosure.

**Derivatives:** The Company has entered into derivative financial instruments to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair value of the derivatives are determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates (forward curves derived from observable market interest rate curves).

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting any applicable credit enhancements such as collateral postings, thresholds, mutual puts and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself or the counterparty. However, as of September 30, 2012, December 31, 2011 and September 30, 2011, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuation in its entirety is classified in Level 2 of the fair value hierarchy.



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

|                        |                 | Fair Value Measurements at September 30, 2012 |              |         |              |
|------------------------|-----------------|-----------------------------------------------|--------------|---------|--------------|
|                        |                 |                                               | Using:       |         |              |
|                        | Carrying Amount | Level 1                                       | Level 2      | Level 3 | Total        |
|                        |                 | (Dollars in Thousands)                        |              |         |              |
| Financial assets:      |                 |                                               |              |         |              |
| Loans, net             | \$ 1,960,195    | \$                                            | \$ 1,989,786 | \$      | \$ 1,989,786 |
| Financial liabilities: |                 |                                               |              |         |              |
| Deposits               | 2,580,117       |                                               | 2,581,465    |         | 2,581,465    |
| Other borrowings       |                 |                                               |              |         |              |

|                               | December 31, 2011 |              | September 30, 2011 |              |
|-------------------------------|-------------------|--------------|--------------------|--------------|
|                               | Carrying Amount   | Fair Value   | Carrying Amount    | Fair Value   |
| (Dollars in Thousands)        |                   |              |                    |              |
| <b>Financial assets:</b>      |                   |              |                    |              |
| Loans, net                    | \$ 1,868,419      | \$ 1,877,320 | \$ 1,929,085       | \$ 1,907,017 |
| <b>Financial liabilities:</b> |                   |              |                    |              |
| Deposits                      | 2,591,566         | 2,593,113    | 2,628,892          | 2,629,974    |
| Other borrowings              | 20,000            | 20,936       | 21,000             | 20,814       |

The following table presents the fair value measurements of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of September 30, 2012 and 2011 and December 31, 2011 (dollars in thousands):

|                                           | Fair Value Measurements on a Recurring Basis<br>As of September 30, 2012 |          |            |          |
|-------------------------------------------|--------------------------------------------------------------------------|----------|------------|----------|
|                                           | Fair Value                                                               | Level 1  | Level 2    | Level 3  |
| U.S. government agencies                  | \$ 8,895                                                                 | \$       | \$ 8,895   | \$       |
| State, county and municipal securities    | 111,742                                                                  | 6,932    | 104,810    |          |
| Corporate debt securities                 | 11,495                                                                   |          | 9,495      | 2,000    |
| Mortgage backed securities                | 228,919                                                                  | 1,965    | 226,954    |          |
| Mortgage loans held for sale              | 29,021                                                                   |          | 29,021     |          |
| Total recurring assets at fair value      | \$ 390,072                                                               | \$ 8,897 | \$ 379,175 | \$ 2,000 |
| Derivative financial instruments          | \$ 3,233                                                                 | \$       | \$ 3,233   |          |
| Total recurring liabilities at fair value | \$ 3,233                                                                 | \$       | \$ 3,233   | \$       |

|                                        | Fair Value Measurements on a Recurring Basis<br>As of December 31, 2011 |         |           |         |
|----------------------------------------|-------------------------------------------------------------------------|---------|-----------|---------|
|                                        | Fair Value                                                              | Level 1 | Level 2   | Level 3 |
| U.S. government agencies               | \$ 14,937                                                               | \$      | \$ 14,937 | \$      |
| State, county and municipal securities | 79,133                                                                  | 2,966   | 76,167    |         |
| Corporate debt securities              | 11,401                                                                  |         | 9,401     | 2,000   |
| Mortgage backed securities             | 234,496                                                                 | 3,302   | 231,194   |         |
| Derivative financial instruments       | (2,049)                                                                 |         | (2,049)   |         |

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|                                      |            |          |            |          |
|--------------------------------------|------------|----------|------------|----------|
| Total recurring assets at fair value | \$ 337,918 | \$ 6,268 | \$ 329,650 | \$ 2,000 |
|--------------------------------------|------------|----------|------------|----------|

| Fair Value Measurements on a Recurring Basis<br>As of September 30, 2011 |            |           |            |          |
|--------------------------------------------------------------------------|------------|-----------|------------|----------|
|                                                                          | Fair Value | Level 1   | Level 2    | Level 3  |
| U.S. government agencies                                                 | \$ 20,309  | \$        | \$ 20,309  | \$       |
| State, county and municipal securities                                   | 71,682     | 6,552     | 65,130     |          |
| Corporate debt securities                                                | 11,528     |           | 9,528      | 2,000    |
| Mortgage backed securities                                               | 237,320    | 6,044     | 231,276    |          |
| Total recurring assets at fair value                                     | \$ 340,839 | \$ 12,596 | \$ 326,243 | \$ 2,000 |

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The following table is a presentation of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy as of September 30, 2012 and 2011 and December 31, 2011 (dollars in thousands):

|                                          | Fair Value Measurements on a Nonrecurring Basis<br>As of September 30, 2012 |         |           |            |
|------------------------------------------|-----------------------------------------------------------------------------|---------|-----------|------------|
|                                          | Fair Value                                                                  | Level 1 | Level 2   | Level 3    |
| Impaired loans carried at fair value     | \$ 50,437                                                                   | \$      | \$ 50,437 | \$         |
| Other real estate owned                  | 37,325                                                                      |         |           | 37,325     |
| Covered loans                            | 546,234                                                                     |         |           | 546,234    |
| Covered other real estate owned          | 88,895                                                                      |         |           | 88,895     |
| Total non-recurring assets at fair value | \$ 722,891                                                                  | \$      | \$ 50,437 | \$ 672,454 |

|                                         | Fair Value Measurements on a Nonrecurring Basis<br>As of December 31, 2011 |         |           |            |
|-----------------------------------------|----------------------------------------------------------------------------|---------|-----------|------------|
|                                         | Fair Value                                                                 | Level 1 | Level 2   | Level 3    |
| Impaired loans carried at fair value    | \$ 70,296                                                                  | \$      | \$ 70,296 | \$         |
| Other real estate owned                 | 46,680                                                                     |         |           | 46,680     |
| Covered loans                           | 571,489                                                                    |         |           | 571,489    |
| Covered other real estate owned         | 78,617                                                                     |         |           | 78,617     |
| Total nonrecurring assets at fair value | \$ 767,082                                                                 | \$      | \$ 70,296 | \$ 696,786 |

|                                         | Fair Value Measurements on a Nonrecurring Basis<br>As of September 30, 2011 |         |           |            |
|-----------------------------------------|-----------------------------------------------------------------------------|---------|-----------|------------|
|                                         | Fair Value                                                                  | Level 1 | Level 2   | Level 3    |
| Impaired loans carried at fair value    | \$ 58,648                                                                   | \$      | \$ 58,648 | \$         |
| Other real estate owned                 | 50,866                                                                      |         |           | 50,866     |
| Covered loans                           | 595,428                                                                     |         |           | 595,428    |
| Covered other real estate owned         | 81,907                                                                      |         |           | 81,907     |
| Total nonrecurring assets at fair value | \$ 786,849                                                                  | \$      | \$ 58,648 | \$ 728,201 |

Below is the Company's reconciliation of Level 3 assets as of September 30, 2012 (dollars in thousands):

|                                                   | Investment Securities Available for Sale | Other Real Estate Owned | Covered Loans | Covered Other Real Estate |
|---------------------------------------------------|------------------------------------------|-------------------------|---------------|---------------------------|
| Beginning balance January 1, 2012                 | \$ 2,000                                 | \$ 46,680               | \$ 571,489    | \$ 78,617                 |
| Total gains/(losses) included in net income       |                                          | (9,048)                 |               |                           |
| Purchases, sales, issuances, and settlements, net |                                          | (21,008)                | 15,281        | (30,258)                  |
| Transfers in or out of Level 3                    |                                          | 20,701                  | (40,536)      | 40,536                    |
| Ending balance September 30, 2012                 | \$ 2,000                                 | \$ 37,325               | \$ 546,234    | \$ 88,895                 |



**Table of Contents****NOTE 2 INVESTMENT SECURITIES**

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

The amortized cost and estimated fair value of investment securities available for sale at September 30, 2012, December 31, 2011 and September 30, 2011 are presented below:

|                                        | Amortized<br>Cost | Gross<br>Unrealized<br>Gains<br>(Dollars in Thousands) | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|----------------------------------------|-------------------|--------------------------------------------------------|-------------------------------|---------------|
| September 30, 2012:                    |                   |                                                        |                               |               |
| U. S. government agencies              | \$ 8,606          | \$ 289                                                 | \$                            | \$ 8,895      |
| State, county and municipal securities | 106,541           | 5,345                                                  | (144)                         | 111,742       |
| Corporate debt securities              | 11,793            | 262                                                    | (560)                         | 11,495        |
| Mortgage-backed securities             | 222,641           | 6,562                                                  | (284)                         | 228,919       |
| Total securities                       | \$ 349,581        | \$ 12,458                                              | \$ (988)                      | \$ 361,051    |
| December 31, 2011:                     |                   |                                                        |                               |               |
| U. S. government agencies              | \$ 14,670         | \$ 267                                                 | \$                            | \$ 14,937     |
| State, county and municipal securities | 75,665            | 3,558                                                  | (90)                          | 79,133        |
| Corporate debt securities              | 11,640            | 167                                                    | (406)                         | 11,401        |
| Mortgage-backed securities             | 228,085           | 6,559                                                  | (148)                         | 234,496       |
| Total securities                       | \$ 330,060        | \$ 10,551                                              | \$ (644)                      | \$ 339,967    |
| September 30, 2011:                    |                   |                                                        |                               |               |
| U. S. government agencies              | \$ 20,007         | \$ 302                                                 | \$                            | \$ 20,309     |
| State, county and municipal securities | 68,486            | 3,196                                                  |                               | 71,682        |
| Corporate debt securities              | 11,638            | 247                                                    | (357)                         | 11,528        |
| Mortgage-backed securities             | 230,786           | 6,838                                                  | (304)                         | 237,320       |
| Total securities                       | \$ 330,917        | \$ 10,583                                              | \$ (661)                      | \$ 340,839    |

The amortized cost and fair value of available-for-sale securities at September 30, 2012 by contractual maturity are summarized in the table below. Expected maturities for mortgage-backed securities may differ from contractual maturities because in certain cases borrowers can prepay obligations without prepayment penalties. Therefore, these securities are not included in the following maturity summary:

|                                 | Amortized<br>Cost<br>(Dollars in Thousands) | Fair<br>Value |
|---------------------------------|---------------------------------------------|---------------|
| Due in one year or less         | \$ 9,385                                    | \$ 9,428      |
| Due from one year to five years | 18,605                                      | 19,420        |
| Due from five to ten years      | 57,227                                      | 61,179        |
| Due after ten years             | 41,723                                      | 42,105        |
| Mortgage-backed securities      | 222,641                                     | 228,919       |

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\$ 349,581      \$ 361,051

Securities with a carrying value of approximately \$171.7 million serve as collateral to secure public deposits and other purposes required or permitted by law at September 30, 2012.

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The following table details the gross unrealized losses and fair value of securities aggregated by category and duration of continuous unrealized loss position at September 30, 2012, December 31, 2011 and September 30, 2011.

| Description of Securities              | Less Than 12 Months |                   | 12 Months or More |                   | Total      |                   |
|----------------------------------------|---------------------|-------------------|-------------------|-------------------|------------|-------------------|
|                                        | Fair Value          | Unrealized Losses | Fair Value        | Unrealized Losses | Fair Value | Unrealized Losses |
| (Dollars in Thousands)                 |                     |                   |                   |                   |            |                   |
| September 30, 2012:                    |                     |                   |                   |                   |            |                   |
| U. S. government agencies              | \$                  | \$                | \$                | \$                | \$         | \$                |
| State, county and municipal securities | 14,653              | (132)             | 505               | (12)              | 15,158     | (144)             |
| Corporate debt securities              |                     |                   | 5,551             | (560)             | 5,551      | (560)             |
| Mortgage-backed securities             | 32,660              | (267)             | 3,434             | (17)              | 36,094     | (284)             |
| Total temporarily impaired securities  | \$ 47,313           | \$ (399)          | \$ 9,490          | \$ (589)          | \$ 56,803  | \$ (988)          |
| December 31, 2011:                     |                     |                   |                   |                   |            |                   |
| U. S. government agencies              | \$                  | \$                | \$                | \$                | \$         | \$                |
| State, county and municipal securities | 10,134              | (90)              |                   |                   | 10,134     | (90)              |
| Corporate debt securities              | 100                 |                   | 6,681             | (406)             | 6,781      | (406)             |
| Mortgage-backed securities             | 20,929              | (148)             |                   |                   | 20,929     | (148)             |
| Total temporarily impaired securities  | \$ 31,163           | \$ (238)          | \$ 6,681          | \$ (406)          | \$ 37,844  | \$ (644)          |
| September 30, 2011:                    |                     |                   |                   |                   |            |                   |
| U. S. government agencies              | \$                  | \$                | \$                | \$                | \$         | \$                |
| State, county and municipal securities |                     |                   |                   |                   |            |                   |
| Corporate debt securities              | 100                 |                   | 6,732             | (357)             | 6,832      | (357)             |
| Mortgage-backed securities             | 33,741              | (304)             |                   |                   | 33,741     | (304)             |
| Total temporarily impaired securities  | \$ 33,841           | \$ (304)          | \$ 6,732          | \$ (357)          | \$ 40,573  | \$ (661)          |

## NOTE 3 LOANS

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

Commercial, financial and agricultural loans include both secured and unsecured loans for working capital, expansion, crop production, and other business purposes. Short-term working capital loans are secured by non-real estate collateral such as accounts receivable, crops, inventory and equipment. The Company evaluates the financial strength, cash flow, management, credit history of the borrower and the quality of the collateral securing the loan. The Bank often requires personal guarantees and secondary sources of repayment on commercial, financial and agricultural loans.

Real estate loans include construction and development loans, commercial and farmland loans and residential loans. Construction and development loans include loans for the development of residential neighborhoods, construction of one-to-four family residential construction loans to builders and consumers, and commercial real estate construction loans, primarily for owner-occupied properties. The Company limits its construction lending risk through adherence to established underwriting procedures. Commercial real estate loans include loans secured by owner-occupied commercial buildings for office, storage, retail, farmland and warehouse space. They also include non-owner occupied commercial buildings such as leased retail and office space. Commercial real estate loans may be larger in size and may involve a greater degree of risk than one-to-four family residential mortgage loans. Payments on such loans are often dependent on successful operation or management of the properties. The Company's residential loans represent permanent mortgage financing and are secured by residential properties located within the Bank's market areas.

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Consumer installment loans and other loans include automobile loans, boat and recreational vehicle financing, and both secured and unsecured personal loans. Consumer loans carry greater risks than other loans, as the collateral can consist of rapidly depreciating assets such as automobiles and equipment that may not provide an adequate source of repayment of the loan in the case of default.



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

| (Dollars in Thousands)                   | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|------------------------------------------|-----------------------|----------------------|-----------------------|
| Commercial, financial and agricultural   | \$ 189,374            | \$ 142,960           | \$ 159,020            |
| Real estate construction and development | 125,315               | 130,270              | 145,770               |
| Real estate commercial and farmland      | 713,240               | 672,765              | 677,048               |
| Real estate residential                  | 343,332               | 330,727              | 331,236               |
| Consumer installment                     | 43,441                | 37,296               | 38,163                |
| Other                                    | 25,160                | 18,068               | 17,658                |
|                                          | \$ 1,439,862          | \$ 1,332,086         | \$ 1,368,895          |

Covered loans are defined as loans that were acquired in FDIC-assisted transactions that are covered by a loss-sharing agreement with the FDIC. Covered loans totaling \$546.2 million, \$571.5 million and \$595.4 million at September 30, 2012, December 31, 2011 and September 30, 2011, respectively, are not included in the above schedule.

Covered loans are shown below according to loan type as of the end of the periods shown:

| (Dollars in Thousands)                   | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|------------------------------------------|-----------------------|----------------------|-----------------------|
| Commercial, financial and agricultural   | \$ 37,167             | \$ 41,867            | \$ 49,859             |
| Real estate construction and development | 73,356                | 77,077               | 82,933                |
| Real estate commercial and farmland      | 298,903               | 321,257              | 323,760               |
| Real estate residential                  | 135,154               | 127,644              | 135,318               |
| Consumer installment                     | 1,654                 | 3,644                | 3,558                 |
|                                          | \$ 546,234            | \$ 571,489           | \$ 595,428            |

## Nonaccrual and Past Due Loans

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged to interest income. Interest on loans that are classified as non-accrual is recognized when received. Past due loans are loans whose principal or interest is past due 90 days or more. In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the original contractual terms.

The following table presents an analysis of non-covered loans accounted for on a nonaccrual basis:

| (Dollars in Thousands)                   | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|------------------------------------------|-----------------------|----------------------|-----------------------|
| Commercial, financial and agricultural   | \$ 4,285              | \$ 3,987             | \$ 4,570              |
| Real estate construction and development | 8,201                 | 15,020               | 15,789                |
| Real estate commercial and farmland      | 11,408                | 35,385               | 24,450                |
| Real estate residential                  | 13,236                | 15,498               | 13,529                |
| Consumer installment                     | 1,095                 | 933                  | 729                   |
|                                          | \$ 38,225             | \$ 70,823            | \$ 59,067             |

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The following table presents an analysis of covered loans accounted for on a nonaccrual basis:

| (Dollars in Thousands)                   | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|------------------------------------------|-----------------------|----------------------|-----------------------|
| Commercial, financial and agricultural   | \$ 11,938             | \$ 11,952            | \$ 12,136             |
| Real estate construction and development | 21,971                | 30,977               | 32,878                |
| Real estate commercial and farmland      | 58,377                | 75,458               | 63,940                |
| Real estate residential                  | 31,189                | 41,139               | 34,846                |
| Consumer installment                     | 426                   | 473                  | 451                   |
|                                          | \$ 123,901            | \$ 159,999           | \$ 144,251            |

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The following table presents an analysis of non-covered past due loans as of September 30, 2012, December 31, 2011 and September 30, 2011.

|                                        | Loans<br>30-59<br>Days Past<br>Due | Loans<br>60-89<br>Days<br>Past Due | Loans 90<br>or More<br>Days Past<br>Due | Total<br>Loans<br>Past Due | Current<br>Loans | Total<br>Loans | Loans 90<br>Days or<br>More Past<br>Due and<br>Still<br>Accruing |
|----------------------------------------|------------------------------------|------------------------------------|-----------------------------------------|----------------------------|------------------|----------------|------------------------------------------------------------------|
| (Dollars in Thousands)                 |                                    |                                    |                                         |                            |                  |                |                                                                  |
| <b>As of September 30, 2012:</b>       |                                    |                                    |                                         |                            |                  |                |                                                                  |
| Commercial, financial & agricultural   | \$ 1,192                           | \$ 639                             | \$ 3,786                                | \$ 5,617                   | \$ 183,757       | \$ 189,374     | \$                                                               |
| Real estate construction & development | 518                                | 152                                | 8,180                                   | 8,850                      | 116,465          | 125,315        |                                                                  |
| Real estate commercial & farmland      | 3,507                              | 812                                | 11,402                                  | 15,721                     | 697,519          | 713,240        |                                                                  |
| Real estate residential                | 7,200                              | 2,346                              | 12,372                                  | 21,918                     | 321,414          | 343,332        |                                                                  |
| Consumer installment loans             | 687                                | 284                                | 993                                     | 1,964                      | 41,477           | 43,441         |                                                                  |
| Other                                  |                                    |                                    |                                         |                            | 25,160           | 25,160         |                                                                  |

|       |           |          |           |           |              |              |    |
|-------|-----------|----------|-----------|-----------|--------------|--------------|----|
| Total | \$ 13,104 | \$ 4,233 | \$ 36,733 | \$ 54,070 | \$ 1,385,792 | \$ 1,439,862 | \$ |
|-------|-----------|----------|-----------|-----------|--------------|--------------|----|

|                                        | Loans<br>30-59<br>Days Past<br>Due | Loans<br>60-89<br>Days<br>Past Due | Loans 90<br>or More<br>Days Past<br>Due | Total<br>Loans<br>Past Due | Current<br>Loans | Total<br>Loans | Loans 90<br>Days or<br>More Past<br>Due and<br>Still<br>Accruing |
|----------------------------------------|------------------------------------|------------------------------------|-----------------------------------------|----------------------------|------------------|----------------|------------------------------------------------------------------|
| (Dollars in Thousands)                 |                                    |                                    |                                         |                            |                  |                |                                                                  |
| <b>As of December 30, 2011:</b>        |                                    |                                    |                                         |                            |                  |                |                                                                  |
| Commercial, financial & agricultural   | \$ 1,103                           | \$ 705                             | \$ 3,975                                | \$ 5,783                   | \$ 137,177       | \$ 142,960     | \$                                                               |
| Real estate construction & development | 2,395                              | 1,507                              | 13,608                                  | 17,510                     | 112,760          | 130,270        |                                                                  |
| Real estate commercial & farmland      | 6,686                              | 7,071                              | 32,953                                  | 46,710                     | 626,055          | 672,765        |                                                                  |
| Real estate residential                | 5,229                              | 4,995                              | 12,874                                  | 23,098                     | 307,629          | 330,727        |                                                                  |
| Consumer installment loans             | 963                                | 305                                | 725                                     | 1,993                      | 35,303           | 37,296         |                                                                  |
| Other                                  |                                    |                                    |                                         |                            | 18,068           | 18,068         |                                                                  |

|       |           |           |           |           |              |              |    |
|-------|-----------|-----------|-----------|-----------|--------------|--------------|----|
| Total | \$ 16,376 | \$ 14,583 | \$ 64,135 | \$ 95,094 | \$ 1,236,992 | \$ 1,332,086 | \$ |
|-------|-----------|-----------|-----------|-----------|--------------|--------------|----|

|                                        | Loans<br>30-59<br>Days Past<br>Due | Loans<br>60-89<br>Days<br>Past Due | Loans 90<br>or More<br>Days Past<br>Due | Total<br>Loans<br>Past Due | Current<br>Loans | Total<br>Loans | Loans 90<br>Days or<br>More<br>Past<br>Due<br>and<br>Still<br>Accruing |
|----------------------------------------|------------------------------------|------------------------------------|-----------------------------------------|----------------------------|------------------|----------------|------------------------------------------------------------------------|
| (Dollars in Thousands)                 |                                    |                                    |                                         |                            |                  |                |                                                                        |
| <b>As of September 30, 2011:</b>       |                                    |                                    |                                         |                            |                  |                |                                                                        |
| Commercial, financial & agricultural   | \$ 657                             | \$ 884                             | \$ 4,544                                | \$ 6,085                   | \$ 152,935       | \$ 159,020     | \$                                                                     |
| Real estate construction & development | 1,228                              | 1,759                              | 15,050                                  | 18,037                     | 127,733          | 145,770        |                                                                        |
| Real estate commercial & farmland      | 6,755                              | 2,594                              | 22,777                                  | 32,126                     | 644,922          | 677,048        |                                                                        |
| Real estate residential                | 5,581                              | 2,476                              | 12,706                                  | 20,763                     | 310,473          | 331,236        |                                                                        |
| Consumer installment loans             | 475                                | 260                                | 661                                     | 1,396                      | 36,767           | 38,163         | 20                                                                     |
| Other                                  |                                    |                                    |                                         |                            | 17,658           | 17,658         |                                                                        |

|       |           |          |           |           |              |              |       |
|-------|-----------|----------|-----------|-----------|--------------|--------------|-------|
| Total | \$ 14,696 | \$ 7,973 | \$ 55,738 | \$ 78,407 | \$ 1,290,488 | \$ 1,368,895 | \$ 20 |
|-------|-----------|----------|-----------|-----------|--------------|--------------|-------|



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The following table presents an analysis of covered past due loans as of September 30, 2012, December 31, 2011 and September 30, 2011.

|                                        | Loans<br>30-59<br>Days Past<br>Due | Loans<br>60-89<br>Days<br>Past Due | Loans 90<br>or More<br>Days Past<br>Due | Total<br>Loans<br>Past Due | Current<br>Loans  | Total<br>Loans    | Loans 90<br>Days or<br>More Past<br>Due and<br>Still<br>Accruing |
|----------------------------------------|------------------------------------|------------------------------------|-----------------------------------------|----------------------------|-------------------|-------------------|------------------------------------------------------------------|
| (Dollars in Thousands)                 |                                    |                                    |                                         |                            |                   |                   |                                                                  |
| <b>As of September 30, 2012:</b>       |                                    |                                    |                                         |                            |                   |                   |                                                                  |
| Commercial, financial & agricultural   | \$ 1,384                           | \$ 788                             | \$ 11,315                               | \$ 13,487                  | \$ 23,680         | \$ 37,167         | \$                                                               |
| Real estate construction & development | 3,611                              | 1,663                              | 22,194                                  | 27,468                     | 45,888            | 73,356            | 2,312                                                            |
| Real estate commercial & farmland      | 7,072                              | 6,559                              | 51,382                                  | 65,013                     | 233,890           | 298,903           | 808                                                              |
| Real estate residential                | 4,702                              | 3,349                              | 28,559                                  | 36,610                     | 98,544            | 135,154           | 1,018                                                            |
| Consumer installment loans             | 56                                 | 92                                 | 255                                     | 403                        | 1,251             | 1,654             |                                                                  |
| <b>Total</b>                           | <b>\$ 16,825</b>                   | <b>\$ 12,451</b>                   | <b>\$ 113,705</b>                       | <b>\$ 142,981</b>          | <b>\$ 403,253</b> | <b>\$ 546,234</b> | <b>\$ 4,138</b>                                                  |

|                                        | Loans<br>30-59<br>Days Past<br>Due | Loans<br>60-89<br>Days<br>Past Due | Loans 90<br>or More<br>Days Past<br>Due | Total<br>Loans<br>Past Due | Current<br>Loans  | Total<br>Loans    | Loans 90<br>Days or<br>More Past<br>Due and<br>Still<br>Accruing |
|----------------------------------------|------------------------------------|------------------------------------|-----------------------------------------|----------------------------|-------------------|-------------------|------------------------------------------------------------------|
| (Dollars in Thousands)                 |                                    |                                    |                                         |                            |                   |                   |                                                                  |
| <b>As of December 30, 2011:</b>        |                                    |                                    |                                         |                            |                   |                   |                                                                  |
| Commercial, financial & agricultural   | \$ 968                             | \$ 4,297                           | \$ 11,253                               | \$ 16,518                  | \$ 25,349         | \$ 41,867         | \$                                                               |
| Real estate construction & development | 2,444                              | 1,318                              | 27,867                                  | 31,629                     | 45,448            | 77,077            |                                                                  |
| Real estate commercial & farmland      | 18,282                             | 8,544                              | 64,091                                  | 90,917                     | 230,340           | 321,257           | 165                                                              |
| Real estate residential                | 3,485                              | 1,493                              | 35,950                                  | 40,928                     | 86,716            | 127,644           | 290                                                              |
| Consumer installment loans             | 127                                | 270                                | 440                                     | 837                        | 2,807             | 3,644             |                                                                  |
| <b>Total</b>                           | <b>\$ 25,306</b>                   | <b>\$ 15,922</b>                   | <b>\$ 139,601</b>                       | <b>\$ 180,829</b>          | <b>\$ 390,660</b> | <b>\$ 571,489</b> | <b>\$ 455</b>                                                    |

|                                        | Loans<br>30-59<br>Days Past<br>Due | Loans<br>60-89<br>Days<br>Past Due | Loans 90<br>or More<br>Days Past<br>Due | Total<br>Loans<br>Past Due | Current<br>Loans  | Total<br>Loans    | Loans 90<br>Days or<br>More<br>Past<br>Due and<br>Still<br>Accruing |
|----------------------------------------|------------------------------------|------------------------------------|-----------------------------------------|----------------------------|-------------------|-------------------|---------------------------------------------------------------------|
| (Dollars in Thousands)                 |                                    |                                    |                                         |                            |                   |                   |                                                                     |
| <b>As of September 30, 2011:</b>       |                                    |                                    |                                         |                            |                   |                   |                                                                     |
| Commercial, financial & agricultural   | \$ 290                             | \$ 411                             | \$ 11,406                               | \$ 12,107                  | \$ 37,752         | \$ 49,859         | \$ 5                                                                |
| Real estate construction & development | 1,175                              | 2,610                              | 30,220                                  | 34,005                     | 48,928            | 82,933            | 347                                                                 |
| Real estate commercial & farmland      | 16,316                             | 7,790                              | 54,009                                  | 78,115                     | 245,645           | 323,760           | 339                                                                 |
| Real estate residential                | 8,180                              | 2,717                              | 32,570                                  | 43,467                     | 91,851            | 135,318           | 2,039                                                               |
| Consumer installment loans             | 72                                 | 73                                 | 422                                     | 567                        | 2,991             | 3,558             |                                                                     |
| <b>Total</b>                           | <b>\$ 26,033</b>                   | <b>\$ 13,601</b>                   | <b>\$ 128,627</b>                       | <b>\$ 168,261</b>          | <b>\$ 427,167</b> | <b>\$ 595,428</b> | <b>\$ 2,730</b>                                                     |

**Table of Contents****Impaired Loans**

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. When determining if the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Company considers the borrower's capacity to pay, which includes such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. Impaired loans include loans on nonaccrual status and troubled debt restructurings. The Company individually assesses for impairment all nonaccrual loans greater than \$200,000 and rated substandard or worse and all troubled debt restructurings greater than \$100,000. If a loan is deemed impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis.

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

|                                                  | September 30,<br>2012  | December 31,<br>2011 | September 30,<br>2011 |
|--------------------------------------------------|------------------------|----------------------|-----------------------|
|                                                  | (Dollars in Thousands) |                      |                       |
| Nonaccrual loans                                 | \$ 38,225              | \$ 70,823            | \$ 59,067             |
| Troubled debt restructurings not included above  | 19,893                 | 17,951               | 16,591                |
| <b>Total impaired loans</b>                      | <b>\$ 58,118</b>       | <b>\$ 88,774</b>     | <b>\$ 75,658</b>      |
| Impaired loans not requiring a related allowance | \$                     | \$                   | \$                    |
| Impaired loans requiring a related allowance     | \$ 58,118              | \$ 88,774            | \$ 75,658             |
| Allowance related to impaired loans              | \$ 7,681               | \$ 18,478            | \$ 17,010             |
| Average investment in impaired loans             | \$ 73,353              | \$ 88,320            | \$ 88,207             |
| Interest income recognized on impaired loans     | \$ 376                 | \$ 637               | \$ 847                |
| Foregone interest income on impaired loans       | \$ 491                 | \$ 613               | \$ 202                |

The following table presents an analysis of information pertaining to non-covered impaired loans as of September 30, 2012, December 31, 2011 and September 30, 2011.

|                                        | Unpaid<br>Contractual<br>Principal<br>Balance | Recorded<br>Investment<br>With No<br>Allowance | Recorded<br>Investment<br>With<br>Allowance | Total<br>Recorded<br>Investment | Related<br>Allowance | Average<br>Recorded<br>Investment |
|----------------------------------------|-----------------------------------------------|------------------------------------------------|---------------------------------------------|---------------------------------|----------------------|-----------------------------------|
| (Dollars in Thousands)                 |                                               |                                                |                                             |                                 |                      |                                   |
| <b>As of September 30, 2012:</b>       |                                               |                                                |                                             |                                 |                      |                                   |
| Commercial, financial & agricultural   | \$ 8,261                                      | \$                                             | \$ 5,089                                    | \$ 5,089                        | \$ 876               | \$ 4,974                          |
| Real estate construction & development | 19,583                                        |                                                | 9,682                                       | 9,682                           | 1,253                | 11,879                            |
| Real estate commercial & farmland      | 25,346                                        |                                                | 20,948                                      | 20,948                          | 2,907                | 33,070                            |
| Real estate residential                | 24,993                                        |                                                | 21,304                                      | 21,304                          | 2,616                | 22,303                            |
| Consumer installment loans             | 1,220                                         |                                                | 1,095                                       | 1,095                           | 29                   | 1,127                             |

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|       |           |    |           |           |          |           |
|-------|-----------|----|-----------|-----------|----------|-----------|
| Total | \$ 79,403 | \$ | \$ 58,118 | \$ 58,118 | \$ 7,681 | \$ 73,353 |
|-------|-----------|----|-----------|-----------|----------|-----------|

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|                                        | Unpaid<br>Contractual<br>Principal<br>Balance | Recorded<br>Investment<br>With No<br>Allowance | Recorded<br>Investment<br>With<br>Allowance<br>(Dollars in Thousands) | Total<br>Recorded<br>Investment | Related<br>Allowance | Average<br>Recorded<br>Investment |
|----------------------------------------|-----------------------------------------------|------------------------------------------------|-----------------------------------------------------------------------|---------------------------------|----------------------|-----------------------------------|
| <b>As of December 31, 2011:</b>        |                                               |                                                |                                                                       |                                 |                      |                                   |
| Commercial, financial & agricultural   | \$ 9,592                                      | \$                                             | \$ 5,110                                                              | \$ 5,110                        | \$ 1,366             | \$ 5,700                          |
| Real estate construction & development | 21,893                                        |                                                | 15,672                                                                | 15,672                          | 4,053                | 18,667                            |
| Real estate commercial & farmland      | 48,688                                        |                                                | 45,006                                                                | 45,006                          | 8,331                | 42,192                            |
| Real estate residential                | 25,309                                        |                                                | 22,053                                                                | 22,053                          | 4,499                | 21,081                            |
| Consumer installment loans             | 1,056                                         |                                                | 933                                                                   | 933                             | 229                  | 680                               |
| <b>Total</b>                           | <b>\$ 106,538</b>                             | <b>\$</b>                                      | <b>\$ 88,774</b>                                                      | <b>\$ 88,774</b>                | <b>\$ 18,478</b>     | <b>\$ 88,320</b>                  |

|                                        | Unpaid<br>Contractual<br>Principal<br>Balance | Recorded<br>Investment<br>With No<br>Allowance | Recorded<br>Investment<br>With<br>Allowance<br>(Dollars in Thousands) | Total<br>Recorded<br>Investment | Related<br>Allowance | Average<br>Recorded<br>Investment |
|----------------------------------------|-----------------------------------------------|------------------------------------------------|-----------------------------------------------------------------------|---------------------------------|----------------------|-----------------------------------|
| <b>As of September 30, 2011:</b>       |                                               |                                                |                                                                       |                                 |                      |                                   |
| Commercial, financial & agricultural   | \$ 8,895                                      | \$                                             | \$ 4,571                                                              | \$ 4,571                        | \$ 1,277             | \$ 5,848                          |
| Real estate construction & development | 26,450                                        |                                                | 17,486                                                                | 17,486                          | 6,164                | 19,417                            |
| Real estate commercial & farmland      | 35,835                                        |                                                | 31,455                                                                | 31,455                          | 4,470                | 41,488                            |
| Real estate residential                | 23,871                                        |                                                | 21,436                                                                | 21,436                          | 4,933                | 20,837                            |
| Consumer installment loans             | 875                                           |                                                | 710                                                                   | 710                             | 166                  | 617                               |
| <b>Total</b>                           | <b>\$ 95,926</b>                              | <b>\$</b>                                      | <b>\$ 75,658</b>                                                      | <b>\$ 75,658</b>                | <b>\$ 17,010</b>     | <b>\$ 88,207</b>                  |

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

|                                                  | As of and For the Period Ended |                      |                       |
|--------------------------------------------------|--------------------------------|----------------------|-----------------------|
|                                                  | September 30,<br>2012          | December 31,<br>2011 | September 30,<br>2011 |
|                                                  | (Dollars in Thousands)         |                      |                       |
| Nonaccrual loans                                 | \$ 123,901                     | \$ 159,999           | \$ 144,251            |
| Troubled debt restructurings not included above  | 25,926                         | 19,884               | 10,768                |
| <b>Total impaired loans</b>                      | <b>\$ 149,827</b>              | <b>\$ 179,883</b>    | <b>\$ 155,019</b>     |
| Impaired loans not requiring a related allowance | \$ 149,827                     | \$ 179,883           | \$ 155,019            |
| Impaired loans requiring a related allowance     | \$                             | \$                   | \$                    |
| Allowance related to impaired loans              | \$                             | \$                   | \$                    |
| <b>Average investment in impaired loans</b>      | <b>\$ 171,055</b>              | <b>\$ 138,950</b>    | <b>\$ 128,717</b>     |
| Interest income recognized on impaired loans     | \$ 1,319                       | \$ 526               | \$ 462                |
| Foregone interest income on impaired loans       | \$ 554                         | \$ 202               | \$ 1,515              |





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The following table presents an analysis of information pertaining to impaired covered loans as of September 30, 2012, December 31, 2011 and September 30, 2011.

|                                        | Unpaid<br>Contractual<br>Principal<br>Balance | Recorded<br>Investment<br>With No<br>Allowance | Recorded<br>Investment<br>With<br>Allowance | Total<br>Recorded<br>Investment | Related<br>Allowance | Average<br>Recorded<br>Investment |
|----------------------------------------|-----------------------------------------------|------------------------------------------------|---------------------------------------------|---------------------------------|----------------------|-----------------------------------|
| (Dollars in Thousands)                 |                                               |                                                |                                             |                                 |                      |                                   |
| <b>As of September 30, 2012:</b>       |                                               |                                                |                                             |                                 |                      |                                   |
| Commercial, financial & agricultural   | \$ 17,833                                     | \$ 11,976                                      | \$                                          | \$ 11,976                       | \$                   | \$ 12,932                         |
| Real estate construction & development | 34,787                                        | 23,833                                         |                                             | 23,833                          |                      | 31,653                            |
| Real estate commercial & farmland      | 98,909                                        | 72,802                                         |                                             | 72,802                          |                      | 82,430                            |
| Real estate residential                | 54,020                                        | 40,790                                         |                                             | 40,790                          |                      | 43,492                            |
| Consumer installment loans             | 890                                           | 426                                            |                                             | 426                             |                      | 548                               |
| <b>Total</b>                           | <b>\$ 206,439</b>                             | <b>\$ 149,827</b>                              | <b>\$</b>                                   | <b>\$ 149,827</b>               | <b>\$</b>            | <b>\$ 171,055</b>                 |

|                                        | Unpaid<br>Contractual<br>Principal<br>Balance | Recorded<br>Investment<br>With No<br>Allowance | Recorded<br>Investment<br>With<br>Allowance | Total<br>Recorded<br>Investment | Related<br>Allowance | Average<br>Recorded<br>Investment |
|----------------------------------------|-----------------------------------------------|------------------------------------------------|---------------------------------------------|---------------------------------|----------------------|-----------------------------------|
| (Dollars in Thousands)                 |                                               |                                                |                                             |                                 |                      |                                   |
| <b>As of December 31, 2011:</b>        |                                               |                                                |                                             |                                 |                      |                                   |
| Commercial, financial & agricultural   | \$ 21,352                                     | \$ 12,027                                      | \$                                          | \$ 12,027                       | \$                   | \$ 10,210                         |
| Real estate construction & development | 47,005                                        | 34,363                                         |                                             | 34,363                          |                      | 30,610                            |
| Real estate commercial & farmland      | 106,953                                       | 84,740                                         |                                             | 84,740                          |                      | 56,607                            |
| Real estate residential                | 68,411                                        | 48,280                                         |                                             | 48,280                          |                      | 40,675                            |
| Consumer installment loans             | 623                                           | 473                                            |                                             | 473                             |                      | 848                               |
| <b>Total</b>                           | <b>\$ 244,344</b>                             | <b>\$ 179,883</b>                              | <b>\$</b>                                   | <b>\$ 179,883</b>               | <b>\$</b>            | <b>\$ 138,950</b>                 |

|                                        | Unpaid<br>Contractual<br>Principal<br>Balance | Recorded<br>Investment<br>With No<br>Allowance | Recorded<br>Investment<br>With<br>Allowance | Total<br>Recorded<br>Investment | Related<br>Allowance | Average<br>Recorded<br>Investment |
|----------------------------------------|-----------------------------------------------|------------------------------------------------|---------------------------------------------|---------------------------------|----------------------|-----------------------------------|
| (Dollars in Thousands)                 |                                               |                                                |                                             |                                 |                      |                                   |
| <b>As of September 30, 2011:</b>       |                                               |                                                |                                             |                                 |                      |                                   |
| Commercial, financial & agricultural   | \$ 19,904                                     | \$ 12,194                                      | \$                                          | \$ 12,194                       | \$                   | \$ 9,756                          |
| Real estate construction & development | 111,148                                       | 33,380                                         |                                             | 33,380                          |                      | 29,672                            |
| Real estate commercial & farmland      | 135,514                                       | 65,592                                         |                                             | 65,592                          |                      | 49,573                            |
| Real estate residential                | 72,962                                        | 43,402                                         |                                             | 43,402                          |                      | 38,775                            |
| Consumer installment loans             | 581                                           | 451                                            |                                             | 451                             |                      | 941                               |
| <b>Total</b>                           | <b>\$ 340,109</b>                             | <b>\$ 155,019</b>                              | <b>\$</b>                                   | <b>\$ 155,019</b>               | <b>\$</b>            | <b>\$ 128,717</b>                 |

## Credit Quality Indicators

The Company uses a nine category risk grading system to assign a risk grade to each loan in the portfolio. Following is a description of the general characteristics of the grades:

**Grade 10 Prime Credit** This grade represents loans to the Company's most creditworthy borrowers or loans that are secured by cash or cash equivalents.

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*Grade 15 Good Credit* This grade includes loans that exhibit one or more characteristics better than that of a *Satisfactory Credit*. Generally, debt service coverage and borrower's liquidity is materially better than required by the Company's loan policy.

*Grade 20 Satisfactory Credit* This grade is assigned to loans to borrowers who exhibit satisfactory credit histories, contain acceptable loan structures and demonstrate ability to repay.

*Grade 23 Performing, Under-Collateralized Credit* This grade is assigned to loans that are currently performing and supported by adequate financial information that reflects repayment capacity but exhibits a loan-to-value ratio greater than 110%, based on a documented collateral valuation.

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**Grade 25 Minimum Acceptable Credit** This grade includes loans which exhibit all the characteristics of a *Satisfactory Credit*, but warrant more than normal level of banker supervision due to (i) circumstances which elevate the risks of performance (such as start-up operations, untested management, heavy leverage, interim losses); (ii) adverse, extraordinary events that have affected, or could affect, the borrower's cash flow, financial condition, ability to continue operating profitability or refinancing (such as death of principal, fire, divorce); (iii) loans that require more than the normal servicing requirements (such as any type of construction financing, acquisition and development loans, accounts receivable or inventory loans and floor plan loans); (iv) existing technical exceptions which raise some doubts about the Bank's perfection in its collateral position or the continued financial capacity of the borrower; or (v) improvements in formerly criticized borrowers, which may warrant banker supervision.

**Grade 30 Other Asset Especially Mentioned** This grade includes loans that exhibit potential weaknesses that deserve management's close attention. If left uncorrected, these weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date.

**Grade 40 Substandard** This grade represents loans which are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. These assets exhibit a well-defined weakness or are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. These weaknesses may be characterized by past due performance, operating losses or questionable collateral values.

**Grade 50 Doubtful** This grade includes loans which exhibit all of the characteristics of a substandard loan with the added provision that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable or improbable.

**Grade 60 Loss** This grade is assigned to loans which are considered uncollectible and of such little value that their continuance as active assets of the Bank is not warranted. This classification does not mean that the loss has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing it off.

The following table presents the non-covered loan portfolio by risk grade as of September 30, 2012.

| Risk Grade             | Commercial, financial & agricultural | Real estate - construction & development | Real estate - commercial & farmland | Real estate - residential | Consumer installment loans | Other     | Total        |
|------------------------|--------------------------------------|------------------------------------------|-------------------------------------|---------------------------|----------------------------|-----------|--------------|
| (Dollars in Thousands) |                                      |                                          |                                     |                           |                            |           |              |
| 10                     | \$ 26,291                            | \$                                       | \$ 220                              | \$ 411                    | \$ 7,887                   | \$        | \$ 34,809    |
| 15                     | 11,816                               | 4,532                                    | 152,678                             | 74,040                    | 1,400                      |           | 244,466      |
| 20                     | 80,681                               | 33,603                                   | 324,270                             | 105,531                   | 23,038                     | 25,160    | 592,283      |
| 23                     | 5                                    | 7,667                                    | 8,773                               | 13,650                    | 81                         |           | 30,176       |
| 25                     | 62,377                               | 59,013                                   | 184,146                             | 113,560                   | 8,502                      |           | 427,598      |
| 30                     | 1,508                                | 7,948                                    | 14,742                              | 10,535                    | 745                        |           | 35,478       |
| 40                     | 6,436                                | 12,396                                   | 28,411                              | 25,583                    | 1,780                      |           | 74,606       |
| 50                     | 260                                  | 156                                      |                                     | 22                        | 8                          |           | 446          |
| 60                     |                                      |                                          |                                     |                           |                            |           |              |
| Total                  | \$ 189,374                           | \$ 125,315                               | \$ 713,240                          | \$ 343,332                | \$ 43,441                  | \$ 25,160 | \$ 1,439,862 |

The following table presents the non-covered loan portfolio by risk grade as of December 31, 2011.

| Risk Grade             | Commercial, financial & agricultural | Real estate - construction & development | Real estate - commercial & farmland | Real estate - residential | Consumer installment loans | Other | Total     |
|------------------------|--------------------------------------|------------------------------------------|-------------------------------------|---------------------------|----------------------------|-------|-----------|
| (Dollars in Thousands) |                                      |                                          |                                     |                           |                            |       |           |
| 10                     | \$ 17,213                            | \$ 20                                    | \$ 235                              | \$ 252                    | \$ 6,210                   | \$    | \$ 23,930 |

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|       |            |            |            |            |           |           |              |
|-------|------------|------------|------------|------------|-----------|-----------|--------------|
| 15    | 15,379     | 5,391      | 151,068    | 88,586     | 1,065     |           | 261,489      |
| 20    | 60,631     | 32,654     | 272,241    | 80,989     | 20,781    | 18,068    | 485,364      |
| 23    | 32         | 7,994      | 10,679     | 10,997     | 28        |           | 29,730       |
| 25    | 42,815     | 62,029     | 163,554    | 110,786    | 7,181     |           | 386,365      |
| 30    | 2,509      | 2,027      | 21,490     | 15,001     | 557       |           | 41,584       |
| 40    | 4,258      | 19,864     | 53,498     | 23,867     | 1,460     |           | 102,947      |
| 50    | 123        | 291        |            | 249        | 14        |           | 677          |
| 60    |            |            |            |            |           |           |              |
| Total | \$ 142,960 | \$ 130,270 | \$ 672,765 | \$ 330,727 | \$ 37,296 | \$ 18,068 | \$ 1,332,086 |

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The following table presents the non-covered loan portfolio by risk grade as of September 30, 2011.

| Risk Grade             | Commercial, financial & agricultural | Real estate - construction & development | Real estate - commercial & farmland | Real estate - residential | Consumer installment loans | Other     | Total        |
|------------------------|--------------------------------------|------------------------------------------|-------------------------------------|---------------------------|----------------------------|-----------|--------------|
| (Dollars in Thousands) |                                      |                                          |                                     |                           |                            |           |              |
| 10                     | \$ 16,047                            | \$ 211                                   | \$ 905                              | \$ 109                    | \$ 6,189                   | \$        | \$ 23,461    |
| 15                     | 12,135                               | 4,814                                    | 146,029                             | 29,930                    | 973                        |           | 193,881      |
| 20                     | 67,085                               | 35,764                                   | 277,651                             | 130,731                   | 21,859                     | 17,658    | 550,748      |
| 23                     | 1,192                                | 8,043                                    | 9,290                               | 11,985                    | 28                         |           | 30,538       |
| 25                     | 55,307                               | 69,618                                   | 169,887                             | 122,939                   | 7,391                      |           | 425,142      |
| 30                     | 1,738                                | 4,291                                    | 35,550                              | 10,583                    | 598                        |           | 52,760       |
| 40                     | 5,376                                | 22,753                                   | 37,736                              | 24,959                    | 1,033                      |           | 91,857       |
| 50                     | 140                                  | 276                                      |                                     |                           | 92                         |           | 508          |
| 60                     |                                      |                                          |                                     |                           |                            |           |              |
| Total                  | \$ 159,020                           | \$ 145,770                               | \$ 677,048                          | \$ 331,236                | \$ 38,163                  | \$ 17,658 | \$ 1,368,895 |

The following table presents the covered loan portfolio by risk grade as of September 30, 2012.

| Risk Grade             | Commercial, financial & agricultural | Real estate - construction & development | Real estate - commercial & farmland | Real estate - residential | Consumer installment loans | Other | Total      |
|------------------------|--------------------------------------|------------------------------------------|-------------------------------------|---------------------------|----------------------------|-------|------------|
| (Dollars in Thousands) |                                      |                                          |                                     |                           |                            |       |            |
| 10                     | \$                                   | \$ 8                                     | \$                                  | \$ 853                    | \$                         | \$    | \$ 861     |
| 15                     | 91                                   | 44                                       | 1,673                               | 708                       |                            |       | 2,516      |
| 20                     | 4,970                                | 13,950                                   | 40,912                              | 34,397                    | 319                        |       | 94,548     |
| 23                     | 30                                   | 1,226                                    | 4,638                               | 1,889                     |                            |       | 7,783      |
| 25                     | 11,986                               | 18,921                                   | 130,155                             | 44,999                    | 721                        |       | 206,782    |
| 30                     | 4,063                                | 7,494                                    | 35,764                              | 9,016                     | 64                         |       | 56,401     |
| 40                     | 16,027                               | 31,713                                   | 85,761                              | 43,292                    | 550                        |       | 177,343    |
| 50                     |                                      |                                          |                                     |                           |                            |       |            |
| 60                     |                                      |                                          |                                     |                           |                            |       |            |
| Total                  | \$ 37,167                            | \$ 73,356                                | \$ 298,903                          | \$ 135,154                | \$ 1,654                   | \$    | \$ 546,234 |

The following table presents the covered loan portfolio by risk grade as of December 31, 2011.

| Risk Grade             | Commercial, financial & agricultural | Real estate - construction & development | Real estate - commercial & farmland | Real estate - residential | Consumer installment loans | Other | Total    |
|------------------------|--------------------------------------|------------------------------------------|-------------------------------------|---------------------------|----------------------------|-------|----------|
| (Dollars in Thousands) |                                      |                                          |                                     |                           |                            |       |          |
| 10                     | \$ 442                               | \$                                       | \$                                  | \$ 1,329                  | \$ 768                     | \$    | \$ 2,539 |
| 15                     | 29                                   | 52                                       | 1,755                               | 586                       | 14                         |       | 2,436    |
| 20                     | 4,807                                | 5,751                                    | 26,211                              | 19,216                    | 687                        |       | 56,672   |
| 23                     |                                      | 1,177                                    | 3,262                               | 1,038                     |                            |       | 5,477    |
| 25                     | 15,531                               | 21,142                                   | 137,981                             | 43,606                    | 1,308                      |       | 219,568  |
| 30                     | 5,882                                | 10,654                                   | 49,642                              | 12,374                    | 172                        |       | 78,724   |
| 40                     | 15,176                               | 38,273                                   | 102,406                             | 49,495                    | 695                        |       | 206,045  |

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|       |           |           |            |            |          |            |
|-------|-----------|-----------|------------|------------|----------|------------|
| Total | \$ 41,867 | \$ 77,077 | \$ 321,257 | \$ 127,644 | \$ 3,644 | \$ 571,489 |
|-------|-----------|-----------|------------|------------|----------|------------|

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The following table presents the covered loan portfolio by risk grade as of September 30, 2011.

| Risk Grade             | Commercial, financial & agricultural | Real estate - construction & development | Real estate - commercial & farmland | Real estate - residential | Consumer installment loans | Other | Total      |
|------------------------|--------------------------------------|------------------------------------------|-------------------------------------|---------------------------|----------------------------|-------|------------|
| (Dollars in Thousands) |                                      |                                          |                                     |                           |                            |       |            |
| 10                     | \$ 587                               | \$                                       | \$                                  | \$ 1,376                  | \$ 578                     | \$    | \$ 2,541   |
| 15                     | 31                                   | 53                                       | 1,799                               | 633                       | 16                         |       | 2,532      |
| 20                     | 4,602                                | 5,615                                    | 31,938                              | 20,911                    | 557                        |       | 63,623     |
| 23                     |                                      | 54                                       | 1,478                               | 690                       |                            |       | 2,222      |
| 25                     | 22,142                               | 22,664                                   | 141,921                             | 51,260                    | 1,386                      |       | 239,373    |
| 30                     | 5,810                                | 12,831                                   | 41,679                              | 8,705                     | 198                        |       | 69,223     |
| 40                     | 16,683                               | 40,571                                   | 104,008                             | 51,743                    | 823                        |       | 213,828    |
| 50                     | 4                                    | 1,145                                    | 937                                 |                           |                            |       | 2,086      |
| 60                     |                                      |                                          |                                     |                           |                            |       |            |
| Total                  | \$ 49,859                            | \$ 82,933                                | \$ 323,760                          | \$ 135,318                | \$ 3,558                   | \$    | \$ 595,428 |

**Troubled Debt Restructurings**

The restructuring of a loan is considered a troubled debt restructuring if both (i) the borrower is experiencing financial difficulties and (ii) the Company has granted a concession. Concessions may include interest rate reductions to below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. The Company has exhibited the greatest success for rehabilitation of the loan by a reduction in the rate alone (maintaining the amortization of the debt) or a combination of a rate reduction and the forbearance of previously past due interest or principal. This has most typically been evidenced in certain commercial real estate loans whereby a disruption in the borrower's cash flow resulted in an extended past due status, of which the borrower was unable to catch up completely as the cash flow of the property ultimately stabilized at a level lower than its original level. A reduction in rate, coupled with a forbearance of unpaid principal and/or interest, allowed the net cash flows to service the debt under the modified terms.

The Company's policy requires a restructure request to be supported by a current, well-documented credit evaluation of the borrower's financial condition and a collateral evaluation that is no older than six months from the date of the restructure. Key factors of that evaluation include the documentation of current, recurring cash flows, support provided by the guarantor(s) and the current valuation of the collateral. If the appraisal in file is older than six months, an evaluation must be made as to the continued reasonableness of the valuation. For certain income-producing properties, current rent rolls and/or other income information can be utilized to support the appraisal valuation, when coupled with documented cap rates within our markets and a physical inspection of the collateral to validate the current condition.

The Company's policy states in the event a loan has been identified as a troubled debt restructuring, it should be assigned a grade of substandard and placed on nonaccrual status until such time that the borrower has demonstrated the ability to service the loan payments based on the restructured terms generally defined as six months of satisfactory payment history. Missed payments under the original loan terms are not considered under the new structure; however, subsequent missed payments are considered non-performance and are not considered toward the six month required term of satisfactory payment history. The Company's loan policy states that a nonaccrual loan may be returned to accrual status when (i) none of its principal and interest is due and unpaid, and the Company expects repayment of the remaining contractual principal and interest, or (ii) when it otherwise becomes well secured and in the process of collection. Restoration to accrual status on any given loan must be supported by a well-documented credit evaluation of the borrower's financial condition and the prospects for full repayment, approved by the Company's Senior Credit Officer.

In the normal course of business, the Company renews loans with a modification of the interest rate or terms that are not deemed as troubled debt restructurings because the borrower is not experiencing financial difficulty. The Company modified loans in the first nine months of 2012 totaling \$23.5 million and loans in 2011 totaling \$27.0 million under such parameters. In addition, the Company offers consumer loan customers an annual skip-a-pay program that is based on certain qualifying parameters and not based on financial difficulties. The Company does not treat these as troubled debt restructurings.





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The following table presents the amount of troubled debt restructurings by loan class, classified separately as accrual and non-accrual at September 30, 2012 and December 31, 2011.

*As of September 30, 2012*

| As of September 30, 2012             |                            | Accruing Loans |                           | Non-Accruing Loans |                           |
|--------------------------------------|----------------------------|----------------|---------------------------|--------------------|---------------------------|
| Loan class:                          |                            | #              | Balance<br>(in thousands) | #                  | Balance<br>(in thousands) |
| Commercial, financial & agricultural |                            | 5              | \$ 804                    |                    | \$                        |
| Real estate                          | construction & development | 4              | 1,481                     |                    |                           |
| Real estate                          | commercial & farmland      | 15             | 9,540                     | 1                  | 2,770                     |
| Real estate                          | residential                | 27             | 8,068                     | 2                  | 620                       |
| Total                                |                            | 51             | \$ 19,893                 | 3                  | \$ 3,390                  |

*As of December 31, 2011*

| As of December 31, 2011 |                            |    | Accruing Loans |        | Non-Accruing Loans |                |
|-------------------------|----------------------------|----|----------------|--------|--------------------|----------------|
|                         |                            |    | Balance        |        | Balance            |                |
| Loan class:             |                            | #  | (in thousands) |        | #                  | (in thousands) |
| Real estate             | construction & development | 6  | \$             | 1,774  | 5                  | \$ 2,122       |
| Real estate             | commercial & farmland      | 14 |                | 9,622  | 2                  | 4,737          |
| Real estate             | residential                | 19 |                | 6,555  | 4                  | 1,296          |
| Total                   |                            | 39 | \$             | 17,951 | 11                 | \$ 8,155       |

The following table presents the amount of troubled debt restructurings by loan class, classified separately as those currently paying under restructured terms and those that have defaulted under restructured terms at September 30, 2012 and December 31, 2011.

*As of September 30, 2012*

| As of September 30, 2012             |                            | Loans Currently Paying Under Restructured Terms |                           | Loans that have Defaulted Under Restructured Terms |                           |
|--------------------------------------|----------------------------|-------------------------------------------------|---------------------------|----------------------------------------------------|---------------------------|
|                                      |                            | #                                               | Balance<br>(in thousands) | #                                                  | Balance<br>(in thousands) |
| Loan class:                          |                            |                                                 |                           |                                                    |                           |
| Commercial, financial & agricultural |                            | 5                                               | \$ 804                    |                                                    | \$                        |
| Real estate                          | construction & development | 4                                               | 1,481                     |                                                    |                           |
| Real estate                          | commercial & farmland      | 15                                              | 9,540                     | 1                                                  | 2,770                     |
| Real estate                          | residential                | 26                                              | 8,068                     | 3                                                  | 620                       |
| Total                                |                            | 50                                              | \$ 19,893                 | 4                                                  | \$ 3,390                  |

*As of December 31, 2011*

| As of December 31, 2011 |                            |    | Loans Currently Paying Under Restructured Terms |                           | Loans that have Defaulted Under Restructured Terms |                           |
|-------------------------|----------------------------|----|-------------------------------------------------|---------------------------|----------------------------------------------------|---------------------------|
|                         |                            |    | #                                               | Balance<br>(in thousands) | #                                                  | Balance<br>(in thousands) |
| Loan class:             |                            |    |                                                 |                           |                                                    |                           |
| Real estate             | construction & development | 7  | \$ 2,897                                        | 4                         | \$ 999                                             |                           |
| Real estate             | commercial & farmland      | 15 | 11,695                                          | 1                         | 2,664                                              |                           |
| Real estate             | residential                | 20 | 6,862                                           | 3                         | 989                                                |                           |
| Total                   |                            |    | 42                                              | \$ 21,454                 | 8                                                  | \$ 4,652                  |



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The following table presents the amount of troubled debt restructurings by types of concessions made, classified separately as accrual and non-accrual at September 30, 2012 and December 31, 2011.

*As of September 30, 2012*

| Type of Concession:                      | Accruing Loans |                           | Non-Accruing Loans |                           |
|------------------------------------------|----------------|---------------------------|--------------------|---------------------------|
|                                          | #              | Balance<br>(in thousands) | #                  | Balance<br>(in thousands) |
| Forbearance of Interest                  | 2              | \$ 1,902                  |                    | \$                        |
| Forgiveness of Principal                 | 3              | 1,516                     | 1                  | 369                       |
| Payment Modification Only                | 2              | 1,292                     | 1                  | 251                       |
| Rate Reduction Only                      | 10             | 5,889                     |                    |                           |
| Rate Reduction, Forbearance of Interest  | 15             | 4,371                     | 1                  | 2,770                     |
| Rate Reduction, Forbearance of Principal | 18             | 4,874                     |                    |                           |
| Rate Reduction, Payment Modification     | 1              | 49                        |                    |                           |
| Total                                    | 51             | \$ 19,893                 | 3                  | \$ 3,390                  |

*As of December 31, 2011*

| Type of Concession:                      | Accruing Loans |                           | Non-Accruing Loans |                           |
|------------------------------------------|----------------|---------------------------|--------------------|---------------------------|
|                                          | #              | Balance<br>(in thousands) | #                  | Balance<br>(in thousands) |
| Forbearance of Interest                  | 1              | \$ 311                    |                    | \$                        |
| Forgiveness of Principal                 | 2              | 902                       | 1                  | 136                       |
| Payment Modification Only                | 1              | 92                        | 1                  | 307                       |
| Rate Reduction Only                      | 7              | 4,192                     | 4                  | 1,145                     |
| Rate Reduction, Forbearance of Interest  | 14             | 9,347                     |                    |                           |
| Rate Reduction, Forbearance of Principal | 14             | 3,107                     | 1                  | 1,123                     |
| Rate Reduction, Payment Modification     |                |                           | 4                  | 5,444                     |
| Total                                    | 39             | \$ 17,951                 | 11                 | \$ 8,155                  |

The following table presents the amount of troubled debt restructurings by collateral types, classified separately as accrual and non-accrual at September 30, 2012 and December 31, 2011.

*As of September 30, 2012*

| Collateral type:                | Accruing Loans |                           | Non-Accruing Loans |                           |
|---------------------------------|----------------|---------------------------|--------------------|---------------------------|
|                                 | #              | Balance<br>(in thousands) | #                  | Balance<br>(in thousands) |
| Warehouse                       | 3              | \$ 1,621                  |                    | \$                        |
| Raw Land                        | 2              | 1,349                     |                    |                           |
| Hotel & Motel                   | 3              | 2,362                     |                    |                           |
| Office                          | 2              | 1,503                     | 1                  | 2,770                     |
| Retail, including Strip Centers | 7              | 4,054                     |                    |                           |
| 1-4 Family Residential          | 30             | 8,216                     | 2                  | 620                       |
| Inventory                       | 1              | 450                       |                    |                           |
| Equipment                       | 1              | 38                        |                    |                           |
| Unsecured                       | 2              | 300                       |                    |                           |
| Total                           | 51             | \$ 19,893                 | 3                  | \$ 3,390                  |

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As of December 31, 2011

| Collateral type:                | Accruing Loans |                           | Non-Accruing Loans |                           |
|---------------------------------|----------------|---------------------------|--------------------|---------------------------|
|                                 | #              | Balance<br>(in thousands) | #                  | Balance<br>(in thousands) |
| Apartments                      | 1              | \$ 1,347                  |                    | \$                        |
| Raw Land                        | 3              | 1,549                     | 2                  | 618                       |
| Hotel & Motel                   | 1              | 503                       | 1                  | 2,072                     |
| Office                          | 3              | 1,077                     |                    |                           |
| Retail, including Strip Centers | 9              | 6,694                     | 1                  | 2,665                     |
| 1-4 Family Residential          | 22             | 6,781                     | 7                  | 2,800                     |
| Total                           | 39             | \$ 17,951                 | 11                 | \$ 8,155                  |

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As of September 30, 2012 and December 31, 2011, the Company had a balance of \$23.3 million and \$26.1 million, respectively, in troubled debt restructurings. The Company has recorded \$2.1 million and \$1.7 million in previous charge-offs on such loans at September 30, 2012 and December 31, 2011, respectively. The Company's balance in the allowance for loan losses allocated to such troubled debt restructurings was \$676,000 and \$2.7 million at September 30, 2012 and December 31, 2011, respectively.

### Allowance for Loan Losses

The allowance for loan losses represents a reserve for inherent losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated periodically based on a review of all significant loans, with a particular emphasis on non-accruing, past due and other loans that management believes might be potentially impaired or warrant additional attention. The Company segregates the loan portfolio by type of loan and utilizes this segregation in evaluating exposure to risks within the portfolio. In addition, based on internal reviews and external reviews performed by independent auditors and regulatory authorities, the Company further segregates the loan portfolio by loan grades based on an assessment of risk for a particular loan or group of loans. Certain reviewed loans are assigned specific allowances when a review of relevant data determines that a general allocation is not sufficient or when the review affords management the opportunity to adjust the amount of exposure in a given credit. In establishing allowances, management considers historical loan loss experience but adjusts this data with a significant emphasis on data such as current loan quality trends, current economic conditions and other factors in the markets where the Company operates. Factors considered include, among others, current valuations of real estate in their markets, unemployment rates, the effect of weather conditions on agricultural related entities and other significant local economic events.

The Company has developed a methodology for determining the adequacy of the allowance for loan losses which is monitored by the Company's Chief Credit Officer. Procedures provide for the assignment of a risk rating for every loan included in the total loan portfolio, with the exception of credit card receivables and overdraft protection loans which are treated as pools for risk rating purposes. The risk rating schedule provides nine ratings of which five ratings are classified as pass ratings and four ratings are classified as criticized ratings. Each risk rating is assigned a percentage factor to be applied to the loan balance to determine the adequate amount of reserve. Many of the larger loans require an annual review by an independent loan officer or an independent third party loan review firm. As a result of these loan reviews, certain loans may be assigned specific reserve allocations. Other loans that surface as problem loans may also be assigned specific reserves. Past due loans are assigned risk ratings based on the number of days past due. The calculation of the allowance for loan losses, including underlying data and assumptions, is reviewed regularly by the Company's Chief Financial Officer and the Director of Internal Audit.

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. Consumer loans are charged-off in accordance with the Federal Financial Institutions Examination Council's (FFIEC) Uniform Retail Credit Classification and Account Management Policy. Commercial loans are charged-off when they are deemed uncollectible, which usually involves a triggering event within the collection effort. If the loan is collateral dependent, the loss is more easily identified and is charged-off when it is identified, usually based upon receipt of an appraisal. However, when a loan has guarantor support, the Company may carry the estimated loss as a reserve against the loan while collection efforts with the guarantor are pursued. If, after collection efforts with the guarantor are complete, the deficiency is still considered uncollectible, the loss is charged-off and any further collections are treated as recoveries. In all situations, when a loan is downgraded to an Asset Quality Rating of 60 (Loss per the regulatory guidance), the uncollectible portion is charged-off.

Activity in the allowance for loan losses for the nine months ended September 30, 2012, for the year ended December 31, 2011 and for the nine months ended September 30, 2011 is as follows:

| (Dollars in Thousands)                       | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|----------------------------------------------|-----------------------|----------------------|-----------------------|
| Balance, January 1                           | \$ 35,156             | \$ 34,576            | \$ 34,576             |
| Provision for loan losses charged to expense | 24,360                | 30,341               | 22,098                |
| Loans charged off                            | (34,167)              | (31,623)             | (22,714)              |
| Recoveries of loans previously charged off   | 552                   | 1,862                | 1,278                 |
| Ending balance                               | \$ 25,901             | \$ 35,156            | \$ 35,238             |

During the nine months ended September 30, 2012, the year ended December 31, 2011 and the nine months ended September 30, 2011, the Company recorded provision for loan loss expense of \$2.3 million, \$2.4 million and \$1.6 million, respectively, to account for losses where the initial estimate of cash flows was found to be excessive on loans acquired in FDIC-assisted transactions. These amounts are excluded from the

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rollforwards above and below but are reflected in the Company's Consolidated Statements of Operations.

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The following table details activity in the allowance for loan losses by portfolio segment for the nine months ended September 30, 2012, the year ended December 31, 2011 and the nine months ended September 30, 2011. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

|                                            | Commercial,<br>financial &<br>agricultural | Real estate -<br>construction &<br>development | Real estate -<br>commercial &<br>farmland<br>(Dollars in thousands) | Real estate -<br>residential | Consumer<br>installment<br>loans and<br>Other | Total     |
|--------------------------------------------|--------------------------------------------|------------------------------------------------|---------------------------------------------------------------------|------------------------------|-----------------------------------------------|-----------|
| <b>Balance, January 1, 2012</b>            | \$ 2,918                                   | \$ 9,438                                       | \$ 14,226                                                           | \$ 8,128                     | \$ 446                                        | \$ 35,156 |
| Provision for loan losses                  | 677                                        | 4,954                                          | 13,087                                                              | 4,936                        | 706                                           | 24,360    |
| Loans charged off                          | (889)                                      | (7,819)                                        | (18,199)                                                            | (6,642)                      | (618)                                         | (34,167)  |
| Recoveries of loans previously charged off | 101                                        | 23                                             | 32                                                                  | 199                          | 197                                           | 552       |
| <b>Balance, September 30, 2012</b>         | \$ 2,807                                   | \$ 6,596                                       | \$ 9,146                                                            | \$ 6,621                     | \$ 731                                        | \$ 25,901 |

### Period-end amount allocated to:

|                                             |        |        |          |          |     |          |
|---------------------------------------------|--------|--------|----------|----------|-----|----------|
| Loans individually evaluated for impairment | \$ 610 | \$ 526 | \$ 2,315 | \$ 2,105 | \$  | \$ 5,556 |
| Loans collectively evaluated for impairment | 2,197  | 6,070  | 6,831    | 4,516    | 731 | 20,345   |

|                       |          |          |          |          |        |           |
|-----------------------|----------|----------|----------|----------|--------|-----------|
| <b>Ending balance</b> | \$ 2,807 | \$ 6,596 | \$ 9,146 | \$ 6,621 | \$ 731 | \$ 25,901 |
|-----------------------|----------|----------|----------|----------|--------|-----------|

### Loans:

|                                       |          |          |           |           |        |           |
|---------------------------------------|----------|----------|-----------|-----------|--------|-----------|
| Individually evaluated for impairment | \$ 2,748 | \$ 5,510 | \$ 21,552 | \$ 15,178 | \$     | \$ 44,988 |
| Collectively evaluated for impairment | 186,626  | 119,805  | 691,688   | 328,154   | 68,601 | 1,394,874 |

|                       |            |            |            |            |           |              |
|-----------------------|------------|------------|------------|------------|-----------|--------------|
| <b>Ending balance</b> | \$ 189,374 | \$ 125,315 | \$ 713,240 | \$ 343,332 | \$ 68,601 | \$ 1,439,862 |
|-----------------------|------------|------------|------------|------------|-----------|--------------|

|                                            | Commercial,<br>financial &<br>agricultural | Real estate -<br>construction &<br>development | Real estate -<br>commercial &<br>farmland<br>(Dollars in thousands) | Real estate -<br>residential | Consumer<br>installment<br>loans and<br>Other | Total     |
|--------------------------------------------|--------------------------------------------|------------------------------------------------|---------------------------------------------------------------------|------------------------------|-----------------------------------------------|-----------|
| <b>Balance, January 1, 2011</b>            | \$ 2,779                                   | \$ 7,705                                       | \$ 14,971                                                           | \$ 8,664                     | \$ 457                                        | \$ 34,576 |
| Provision for loan losses                  | 5,772                                      | 11,354                                         | 7,883                                                               | 4,717                        | 615                                           | 30,341    |
| Loans charged off                          | (5,807)                                    | (10,988)                                       | (8,680)                                                             | (5,399)                      | (749)                                         | (31,623)  |
| Recoveries of loans previously charged off | 174                                        | 1,367                                          | 52                                                                  | 146                          | 123                                           | 1,862     |
| <b>Balance, December 31, 2011</b>          | \$ 2,918                                   | \$ 9,438                                       | \$ 14,226                                                           | \$ 8,128                     | \$ 446                                        | \$ 35,156 |

### Period-end amount allocated to:

|                                             |        |          |          |          |      |           |
|---------------------------------------------|--------|----------|----------|----------|------|-----------|
| Loans individually evaluated for impairment | \$ 766 | \$ 3,478 | \$ 8,152 | \$ 3,567 | \$ 3 | \$ 15,966 |
| Loans collectively evaluated for impairment | 2,152  | 5,960    | 6,074    | 4,561    | 443  | 19,190    |

|                       |          |          |           |          |        |           |
|-----------------------|----------|----------|-----------|----------|--------|-----------|
| <b>Ending balance</b> | \$ 2,918 | \$ 9,438 | \$ 14,226 | \$ 8,128 | \$ 446 | \$ 35,156 |
|-----------------------|----------|----------|-----------|----------|--------|-----------|

### Loans:

|                                       |          |           |           |           |        |           |
|---------------------------------------|----------|-----------|-----------|-----------|--------|-----------|
| Individually evaluated for impairment | \$ 2,831 | \$ 13,561 | \$ 45,084 | \$ 16,080 | \$ 17  | \$ 77,573 |
| Collectively evaluated for impairment | 140,129  | 116,709   | 627,681   | 314,647   | 55,347 | 1,254,513 |

|                       |            |            |            |            |           |              |
|-----------------------|------------|------------|------------|------------|-----------|--------------|
| <b>Ending balance</b> | \$ 142,960 | \$ 130,270 | \$ 672,765 | \$ 330,727 | \$ 55,364 | \$ 1,332,086 |
|-----------------------|------------|------------|------------|------------|-----------|--------------|





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|                                            | Commercial,<br>financial &<br>agricultural | Real estate -<br>construction &<br>development | Real estate -<br>commercial &<br>farmland<br>(Dollars in thousands) | Real estate -<br>residential | Consumer<br>installment<br>loans and<br>Other | Total     |
|--------------------------------------------|--------------------------------------------|------------------------------------------------|---------------------------------------------------------------------|------------------------------|-----------------------------------------------|-----------|
| <b>Balance, January 1, 2011</b>            | \$ 2,779                                   | \$ 7,705                                       | \$ 14,971                                                           | \$ 8,664                     | \$ 457                                        | \$ 34,576 |
| Provision for loan losses                  | 3,586                                      | 7,615                                          | 6,447                                                               | 3,931                        | 519                                           | 22,098    |
| Loans charged off                          | (3,855)                                    | (6,859)                                        | (7,851)                                                             | (3,641)                      | (508)                                         | (22,714)  |
| Recoveries of loans previously charged off | 153                                        | 873                                            | 43                                                                  | 107                          | 102                                           | 1,278     |
| <b>Balance, September 30, 2011</b>         | \$ 2,663                                   | \$ 9,334                                       | \$ 13,610                                                           | \$ 9,061                     | \$ 570                                        | \$ 35,238 |

**Period-end amount allocated to:**

|                                             |          |          |           |          |        |           |
|---------------------------------------------|----------|----------|-----------|----------|--------|-----------|
| Loans individually evaluated for impairment | \$ 903   | \$ 5,209 | \$ 4,580  | \$ 3,332 | \$ 1   | \$ 14,025 |
| Loans collectively evaluated for impairment | 1,760    | 4,125    | 9,030     | 5,729    | 569    | 21,213    |
| <b>Ending balance</b>                       | \$ 2,663 | \$ 9,334 | \$ 13,610 | \$ 9,061 | \$ 570 | \$ 35,238 |

**Loans:**

|                                       |            |            |            |            |           |              |
|---------------------------------------|------------|------------|------------|------------|-----------|--------------|
| Individually evaluated for impairment | \$ 3,214   | \$ 13,979  | \$ 31,892  | \$ 15,468  | \$ 17     | \$ 64,570    |
| Collectively evaluated for impairment | 155,806    | 131,791    | 645,156    | 315,768    | 55,804    | 1,304,325    |
| <b>Ending balance</b>                 | \$ 159,020 | \$ 145,770 | \$ 677,048 | \$ 331,236 | \$ 55,821 | \$ 1,368,895 |

**NOTE 4 ASSETS ACQUIRED IN FDIC-ASSISTED ACQUISITIONS**

From October 2009 through July 2012, the Company participated in ten FDIC-assisted acquisitions whereby the Company purchased certain failed institutions out of the FDIC's receivership. These institutions include:

| Bank Acquired                      | Location:            | Branches: | Date Acquired     |
|------------------------------------|----------------------|-----------|-------------------|
| American United Bank ( AUB )       | Lawrenceville, Ga.   | 1         | October 23, 2009  |
| United Security Bank ( USB )       | Sparta, Ga.          | 2         | November 6, 2009  |
| Satilla Community Bank ( SCB )     | St. Marys, Ga.       | 1         | May 14, 2010      |
| First Bank of Jacksonville ( FBJ ) | Jacksonville, Fl.    | 2         | October 22, 2010  |
| Tifton Banking Company<br>( TBC )  | Tifton, Ga.          | 1         | November 12, 2010 |
| Darby Bank & Trust ( DBT )         | Vidalia, Ga.         | 7         | November 12, 2010 |
| High Trust Bank ( HTB )            | Stockbridge, Ga.     | 2         | July 15, 2011     |
| One Georgia Bank ( OGB )           | Midtown Atlanta, Ga. | 1         | July 15, 2011     |
| Central Bank of Georgia ( CBG )    | Ellaville, Ga.       | 5         | February 24, 2012 |
| Montgomery Bank & Trust<br>( MBT ) | Ailey, Ga.           | 2         | July 6, 2012      |

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On July 6, 2012, the Bank purchased certain assets and assumed substantially all the deposits of Montgomery Bank & Trust ( MBT ) from the FDIC, as Receiver of MBT. MBT operated two branches in Ailey and Vidalia, Georgia. The Bank assumed approximately \$156.6 million in customer deposits and acquired approximately \$18.1 million in assets, including approximately \$16.7 million in cash and cash equivalents and approximately \$1.2 million in deposit-secured loans. The assets were acquired without a discount and the deposits were assumed with no premium. To settle the transaction, the FDIC made a cash payment to the Bank totaling approximately \$138.7 million, based on the differential between liabilities assumed and assets acquired.

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

| (Dollars in Thousands)                         | Montgomery Bank<br>& Trust |
|------------------------------------------------|----------------------------|
| Assets acquired:                               |                            |
| Cash and due from banks                        | \$ 16,726                  |
| Loans                                          | 1,218                      |
| Other assets                                   | 183                        |
| Assets acquired                                | 18,127                     |
| Cash received (paid) to settle the acquisition | 138,740                    |
| Fair value of assets acquired                  | \$ 156,867                 |
| Liabilities assumed:                           |                            |
| Deposits                                       | \$ 156,699                 |
| Other liabilities                              | 168                        |
| Fair value of liabilities assumed              | \$ 156,867                 |
| Net assets acquired / gain from acquisition    | \$                         |

On February 24, 2012, the Bank purchased substantially all of the assets and assumed substantially all the liabilities of Central Bank of Georgia ( CBG ) from the FDIC, as Receiver of CBG. CBG operated five branches in Ellaville, Buena Vista, Butler, Cusseta and Macon, Georgia. The Company's agreement with the FDIC included shared-loss agreements that afford the Bank significant protection from losses associated with loans and OREO. Under the terms of the shared-loss agreements, the FDIC will absorb 80% of all losses and share 80% of all loss recoveries. The shared-loss agreement applicable to single family residential mortgage loans provides for FDIC loss sharing and reimbursement by the Bank to the FDIC for ten years. The shared-loss agreement applicable to commercial loans and securities provides for FDIC loss sharing for five years and reimbursement by the Bank to the FDIC for eight years.

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

| (Dollars in Thousands)                         | Central Bank of<br>Georgia |
|------------------------------------------------|----------------------------|
| Assets acquired:                               |                            |
| Cash and due from banks                        | \$ 33,150                  |
| Securities available for sale                  | 39,920                     |
| Loans                                          | 124,782                    |
| Foreclosed property                            | 6,177                      |
| Estimated FDIC indemnification asset           | 52,654                     |
| Other assets                                   | 4,606                      |
| Assets acquired                                | 261,289                    |
| Cash received (paid) to settle the acquisition | 31,900                     |

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|                                             |                   |
|---------------------------------------------|-------------------|
| Fair value of assets acquired               | \$ 293,189        |
| <b>Liabilities assumed:</b>                 |                   |
| Deposits                                    | \$ 261,036        |
| Other borrowings                            | 10,334            |
| Other liabilities                           | 1,782             |
| <b>Fair value of liabilities assumed</b>    | <b>\$ 273,152</b> |
| Net assets acquired / gain from acquisition | \$ 20,037         |

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The Company's bid to acquire the assets of CBG included a discount of approximately \$33.9 million, and the Company received a \$31.9 million cash payment from the FDIC to settle the acquisition.

The shared-loss agreements are subject to the servicing procedures as specified in the agreements with the FDIC. The expected reimbursements under the CBG shared-loss agreements were recorded as an indemnification asset at its estimated fair value of \$52.7 million on the acquisition date. Based upon the acquisition date fair values of the net assets acquired, no goodwill was recorded on the transaction.

The CBG transaction resulted in a before-tax gain of \$20.0 million, which is included in the Company's September 30, 2012 Consolidated Statement of Operations. Due to the difference in tax bases of the assets acquired and liabilities assumed, the Bank recorded deferred tax liabilities with respect to CBG of \$7.0 million, resulting in an after-tax gain of \$13.0 million.

The determination of the initial fair values of loans at the acquisition date and the initial fair values of the related FDIC indemnification assets involves a high degree of judgment and complexity. The carrying values of the acquired loans and the FDIC indemnification assets 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 values reflected in the financial statements included in this report, based upon the timing and amount of collections on the acquired loans in future periods. Because of the loss-sharing agreements with the FDIC on these assets, the Company does not expect to incur any significant losses. To the extent the actual values realized for the acquired loans are different from the estimates, the indemnification assets will generally be affected in an offsetting manner due to the loss-sharing support from the FDIC.

FASB ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* (ASC 310-30), applies to a loan with evidence of deterioration of credit quality since origination, acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. ASC 310-30 prohibits carrying over or creating an allowance for loan losses upon initial recognition for loans which fall under the scope of this statement. At the acquisition dates, a majority of these loans were valued based on the liquidation value of the underlying collateral because the future cash flows are primarily based on the liquidation of underlying collateral. There was no allowance for credit losses established related to these ASC 310-30 loans at the acquisition dates, based on the provisions of this statement. Over the life of the acquired loans, the Company continues to estimate cash flows expected to be collected. If the estimated cash flows expected to be collected increases, the Company adjusts the amount of accretable discount recognized on a prospective basis over the loan's remaining life. If the estimated cash flows expected to be collected decreases, the Company records a provision for loan loss in its consolidated statement of operations.

On the acquisition date, the preliminary estimates of the contractually required payments receivable for all ASC 310-30 loans acquired in the CBG acquisition totaled \$137.2 million and the estimated fair values of the loans totaled \$73.4 million, net of an accretable discount of \$10.2 million, the difference between the value of the loans on the Company's 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 includes the effects of estimated prepayments.

The estimated fair values of loans acquired in the CBG acquisition are detailed below based on their initial estimate of credit quality (dollars in thousands):

|                                      | Loans with<br>deterioration<br>of credit<br>quality | Loans<br>without a<br>deterioration<br>of credit<br>quality | Total<br>loans, at<br>fair value |
|--------------------------------------|-----------------------------------------------------|-------------------------------------------------------------|----------------------------------|
| Commercial, industrial, agricultural | \$ 1,256                                            | \$ 6,288                                                    | \$ 7,544                         |
| Real estate - residential            | 22,389                                              | 22,213                                                      | 44,602                           |
| Real estate - commercial & farmland  | 34,458                                              | 10,538                                                      | 44,996                           |
| Construction & development           | 15,038                                              | 5,507                                                       | 20,545                           |
| Consumer                             | 273                                                 | 6,822                                                       | 7,095                            |
|                                      | \$ 73,414                                           | \$ 51,368                                                   | \$ 124,782                       |

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The results of operations of CBG and MBT subsequent to the acquisition date are included in the Company'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, 2011 and 2010, unadjusted for potential cost savings (in thousands).

|                                                                         | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|-------------------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|------------|
|                                                                         | 2012                                | 2011      | 2012                               | 2011       |
| Net interest income and noninterest income                              | \$ 38,069                           | \$ 65,844 | \$ 134,799                         | \$ 138,697 |
| Net income (loss)                                                       | \$ 1,903                            | \$ 8,596  | \$ (14,905)                        | \$ (3,957) |
| Net income (loss) available to common stockholders                      | \$ 1,076                            | \$ 7,779  | \$ (17,364)                        | \$ (6,379) |
| Income (loss) per common share available to common stockholders basic   | \$ 0.05                             | \$ 0.33   | \$ (0.73)                          | \$ (0.27)  |
| Income (loss) per common share available to common stockholders diluted | \$ 0.04                             | \$ 0.33   | \$ (0.72)                          | \$ (0.27)  |
| Average number of shares outstanding, basic                             | 23,819                              | 23,438    | 23,800                             | 23,439     |
| Average number of shares outstanding, diluted                           | 23,973                              | 23,559    | 23,954                             | 23,530     |

In addition to the covered assets acquired in the most recent acquisitions, the Company has other investments in covered assets remaining from its previous FDIC-assisted acquisitions. The following table summarizes components of all covered assets at September 30, 2012 and 2011 and at December 31, 2011 and their origin:

|                                  | Covered<br>loans | Less: Credit<br>risk<br>adjustments | Less:<br>Liquidity<br>and rate<br>adjustments | Total<br>covered<br>loans | OREO       | Less: Fair<br>value<br>adjustments | Total<br>covered<br>OREO | Total<br>covered<br>assets | FDIC<br>indemnification<br>asset |
|----------------------------------|------------------|-------------------------------------|-----------------------------------------------|---------------------------|------------|------------------------------------|--------------------------|----------------------------|----------------------------------|
| (Dollars in thousands)           |                  |                                     |                                               |                           |            |                                    |                          |                            |                                  |
| <b>As of September 30, 2012:</b> |                  |                                     |                                               |                           |            |                                    |                          |                            |                                  |
| AUB                              | \$ 28,955        | \$ 2,532                            | \$                                            | \$ 26,423                 | \$ 10,342  | \$                                 | \$ 10,342                | \$ 36,765                  | \$ 3,256                         |
| USB                              | 33,145           | 5,036                               |                                               | 28,109                    | 7,641      | 99                                 | 7,542                    | 35,651                     | 8,408                            |
| SCB                              | 44,340           | 3,892                               |                                               | 40,448                    | 10,464     | 646                                | 9,818                    | 50,266                     | 6,130                            |
| FBJ                              | 33,312           | 6,299                               | 43                                            | 26,970                    | 3,407      | 572                                | 2,835                    | 29,805                     | 6,731                            |
| DBT                              | 186,815          | 47,598                              | 331                                           | 138,886                   | 33,404     | 2,798                              | 30,606                   | 169,492                    | 63,789                           |
| TBC                              | 51,084           | 5,790                               | 212                                           | 45,082                    | 10,110     | 1,533                              | 8,577                    | 53,659                     | 15,559                           |
| HTB                              | 95,904           | 18,727                              | 56                                            | 77,121                    | 15,219     | 5,766                              | 9,453                    | 86,574                     | 23,698                           |
| OGB                              | 86,091           | 18,719                              | 146                                           | 67,226                    | 7,874      | 3,663                              | 4,211                    | 71,437                     | 21,419                           |
| CBG                              | 139,583          | 43,406                              | 208                                           | 95,969                    | 8,518      | 3,007                              | 5,511                    | 101,480                    | 49,450                           |
| Total                            | \$ 699,229       | \$ 151,999                          | \$ 996                                        | \$ 546,234                | \$ 106,979 | \$ 18,084                          | \$ 88,895                | \$ 635,129                 | \$ 198,440                       |

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|                                        | Covered<br>loans | Less: Credit<br>risk<br>adjustments | Less:<br>Liquidity<br>and rate<br>adjustments | Total<br>covered<br>loans | OREO       | Less: Fair<br>value<br>adjustments | Total<br>covered<br>OREO | Total<br>covered<br>assets | FDIC<br>indemnification<br>asset |
|----------------------------------------|------------------|-------------------------------------|-----------------------------------------------|---------------------------|------------|------------------------------------|--------------------------|----------------------------|----------------------------------|
| (Dollars in thousands)                 |                  |                                     |                                               |                           |            |                                    |                          |                            |                                  |
| <b><u>As of December 31, 2011:</u></b> |                  |                                     |                                               |                           |            |                                    |                          |                            |                                  |
| AUB                                    | \$ 34,242        | \$ 3,236                            | \$                                            | \$ 31,006                 | \$ 11,100  | \$                                 | \$ 11,100                | \$ 42,106                  | \$ 7,271                         |
| USB                                    | 51,409           | 5,259                               | 50                                            | 46,100                    | 7,445      | 50                                 | 7,395                    | 53,495                     | 10,648                           |
| SCB                                    | 56,780           | 5,779                               | 155                                           | 50,846                    | 10,635     | 500                                | 10,135                   | 60,981                     | 6,527                            |
| FBJ                                    | 40,106           | 7,473                               | 92                                            | 32,541                    | 2,370      | 641                                | 1,729                    | 34,270                     | 8,551                            |
| DBT                                    | 260,883          | 68,757                              | 703                                           | 191,423                   | 28,947     | 2,763                              | 26,184                   | 217,607                    | 105,528                          |
| TBC                                    | 79,586           | 14,358                              | 331                                           | 64,897                    | 8,441      | 1,274                              | 7,167                    | 72,064                     | 18,628                           |
| HTB                                    | 110,899          | 28,024                              | 73                                            | 82,802                    | 20,132     | 10,171                             | 9,961                    | 92,763                     | 48,289                           |
| OGB                                    | 105,285          | 33,221                              | 190                                           | 71,874                    | 12,615     | 7,669                              | 4,946                    | 76,820                     | 36,952                           |
| Total                                  | \$ 739,190       | \$ 166,107                          | \$ 1,594                                      | \$ 571,489                | \$ 101,685 | \$ 23,068                          | \$ 78,617                | \$ 650,106                 | \$ 242,394                       |

|                                         | Covered<br>loans | Less: Credit<br>risk<br>adjustments | Less:<br>Liquidity<br>and rate<br>adjustments | Total<br>covered<br>loans | OREO       | Less: Fair<br>value<br>adjustments | Total<br>covered<br>OREO | Total<br>covered<br>assets | FDIC<br>indemnification<br>asset |
|-----------------------------------------|------------------|-------------------------------------|-----------------------------------------------|---------------------------|------------|------------------------------------|--------------------------|----------------------------|----------------------------------|
| (Dollars in thousands)                  |                  |                                     |                                               |                           |            |                                    |                          |                            |                                  |
| <b><u>As of September 30, 2011:</u></b> |                  |                                     |                                               |                           |            |                                    |                          |                            |                                  |
| AUB                                     | \$ 39,217        | \$ 3,594                            | \$ 64                                         | \$ 35,559                 | \$ 13,415  | \$ 37                              | \$ 13,378                | \$ 48,937                  | \$ 3,215                         |
| USB                                     | 58,121           | 5,913                               | 199                                           | 52,009                    | 7,489      | 51                                 | 7,438                    | 59,447                     | 7,431                            |
| SCB                                     | 58,748           | 6,029                               | 258                                           | 52,461                    | 10,957     | 500                                | 10,457                   | 62,918                     | 5,365                            |
| FBJ                                     | 42,499           | 8,239                               | 108                                           | 34,152                    | 3,037      | 1,559                              | 1,478                    | 35,630                     | 8,863                            |
| DBT                                     | 313,029          | 112,480                             | 827                                           | 199,722                   | 35,672     | 8,774                              | 26,898                   | 226,620                    | 104,739                          |
| TBC                                     | 90,044           | 18,995                              | 371                                           | 70,678                    | 6,955      | 1,274                              | 5,681                    | 76,359                     | 19,046                           |
| HTB                                     | 129,269          | 47,738                              | 73                                            | 81,458                    | 21,953     | 12,618                             | 9,335                    | 90,793                     | 47,604                           |
| OGB                                     | 110,188          | 40,609                              | 190                                           | 69,389                    | 19,242     | 12,000                             | 7,242                    | 76,631                     | 43,456                           |
| Total                                   | \$ 841,115       | \$ 243,597                          | \$ 2,090                                      | \$ 595,428                | \$ 118,720 | \$ 36,813                          | \$ 81,907                | \$ 677,335                 | \$ 239,719                       |

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On the dates of acquisition, the Company estimated the future cash flows on each individual loan and made the necessary adjustments to reflect the asset at fair value. At each quarter end subsequent to the acquisition dates, the Company revises the estimates of future cash flows based on current information and makes the necessary adjustments to continue reflecting the assets at fair value. The adjustments to fair value are performed on a loan-by-loan basis and have resulted in the following:

| <b>Total Amounts</b>                                                                                                                                                                | <b>September 30,<br/>2012</b> | <b>December 31,<br/>2011</b> | <b>September 30,<br/>2011</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------|-------------------------------|
|                                                                                                                                                                                     | (Dollars in thousands)        |                              |                               |
| Adjustments needed where the Company's initial estimate of cash flows were underestimated: (recorded with a reclassification from non-accretable difference to accretable discount) | \$ 16,210                     | \$ 22,031                    | \$ 15,846                     |
| Adjustments needed where the Company's initial estimate of cash flows were overstated: (recorded through a provision for loan losses)                                               | 11,435                        | 11,940                       | 8,055                         |
| <b>Amounts reflected in the Company's Statement of Operations</b>                                                                                                                   | <b>September 30,<br/>2012</b> | <b>December 31,<br/>2011</b> | <b>September 30,<br/>2011</b> |
|                                                                                                                                                                                     | (Dollars in thousands)        |                              |                               |
| Adjustments needed where the Company's initial estimate of cash flows were underestimated: (recorded with a reclassification from non-accretable difference to accretable discount) | \$ 3,242                      | \$ 4,406                     | \$ 3,169                      |
| Adjustments needed where the Company's initial estimate of cash flows were overstated: (recorded through a provision for loan losses)                                               | 2,287                         | 2,388                        | 1,611                         |

A rollforward of acquired loans with deterioration of credit quality for the nine months ended September 30, 2012, the year ended December 31, 2011 and the nine months ended September 30, 2011 is shown below:

| <b>(Dollars in Thousands)</b>                                      | <b>September 30,<br/>2012</b> | <b>December 31,<br/>2011</b> | <b>September 30,<br/>2011</b> |
|--------------------------------------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Balance, January 1                                                 | \$ 307,790                    | \$ 252,535                   | \$ 252,535                    |
| Change in estimate of cash flows, net of charge-offs or recoveries | (7,119)                       | (25,787)                     | (18,815)                      |
| Additions due to acquisitions                                      | 73,414                        | 124,136                      | 124,136                       |
| Other (loan payments, transfers, etc.)                             | (70,402)                      | (43,094)                     | (36,899)                      |
| Ending balance                                                     | \$ 303,683                    | \$ 307,790                   | \$ 320,957                    |

A rollforward of acquired loans without deterioration of credit quality for the nine months ended September 30, 2012, the year ended December 31, 2011 and the nine months ended September 30, 2011 is shown below:

| <b>(Dollars in Thousands)</b>                                      | <b>September 30,<br/>2012</b> | <b>December 31,<br/>2011</b> | <b>September 30,<br/>2011</b> |
|--------------------------------------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Balance, January 1                                                 | \$ 266,966                    | \$ 302,456                   | \$ 302,456                    |
| Change in estimate of cash flows, net of charge-offs or recoveries | 3,861                         | (11,604)                     | (16,886)                      |
| Additions due to acquisitions                                      | 51,367                        | 35,439                       | 35,439                        |
| Other (loan payments, transfers, etc.)                             | (72,755)                      | (59,325)                     | (46,538)                      |
| Ending balance                                                     | \$ 249,439                    | \$ 266,966                   | \$ 274,471                    |





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The following is a summary of changes in the accretable discounts of acquired loans during the nine months ended September 30, 2012, the year ended December 31, 2011 and the nine months ended September 30, 2011.

| (Dollars in Thousands)        | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|-------------------------------|-----------------------|----------------------|-----------------------|
| Balance, January 1            | \$ 29,537             | \$ 37,383            | \$ 37,383             |
| Additions due to acquisitions | 9,863                 | 24,094               | 24,094                |
| Accretion                     | (36,241)              | (36,519)             | (18,765)              |
| Other activity, net           | 16,210                | 4,579                | (1,606)               |
| Ending balance                | \$ 19,369             | \$ 29,537            | \$ 41,106             |

The shared-loss agreements are subject to the servicing procedures as specified in the agreement with the FDIC. The expected reimbursements under the shared-loss agreements were recorded as an indemnification asset at their estimated fair values on the acquisition dates. Changes in the FDIC shared-loss receivable for the nine months ended September 30, 2012, for the year ended December 31, 2011 and for the nine months ended September 30, 2011 are as follows:

| (Dollars in Thousands)                                    | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|-----------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Balance, January 1                                        | \$ 242,394            | \$ 177,187           | \$ 177,187            |
| Indemnification asset recorded in acquisitions            | 52,654                | 94,973               | 94,973                |
| Payments received from FDIC                               | (97,399)              | (36,813)             | (22,107)              |
| Effect of change in expected cash flows on covered assets | 791                   | 7,047                | (10,334)              |
| Ending balance                                            | \$ 198,440            | \$ 242,394           | \$ 239,719            |

## NOTE 5 WEIGHTED AVERAGE SHARES OUTSTANDING

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

|                                            | For the Three Months<br>Ended September 30,<br>2012 2011<br>(share data in<br>thousands) |        | For the Nine Months<br>Ended September 30,<br>2012 2011<br>(share data in<br>thousands) |        |
|--------------------------------------------|------------------------------------------------------------------------------------------|--------|-----------------------------------------------------------------------------------------|--------|
| Basic shares outstanding                   | 23,819                                                                                   | 23,438 | 23,800                                                                                  | 23,439 |
| Plus: Dilutive effect of ISOs              | 105                                                                                      | 24     | 105                                                                                     | 31     |
| Plus: Dilutive effect of Restricted Grants | 49                                                                                       | 97     | 49                                                                                      | 60     |
| Diluted shares outstanding                 | 23,973                                                                                   | 23,559 | 23,954                                                                                  | 23,530 |

## NOTE 6 OTHER BORROWINGS

The Company has, from time to time, utilized certain borrowing arrangements with various financial institutions to fund growth in earning assets or provide additional liquidity when appropriate spreads can be realized. There were no outstanding borrowings with the Company's correspondent banks at September 30, 2012. At December 31, 2011 and September 30, 2011, there were \$20.0 million and \$21.0 million, respectively, in outstanding borrowings with the Company's correspondent banks. The Company's success with attracting and retaining retail deposits has allowed for very low dependence on more volatile non-deposit funding.



**Table of Contents****NOTE 7 COMMITMENTS**

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

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

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

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

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

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

| <b>(Dollars in Thousands)</b> | <b>September 30,<br/>2012</b> | <b>December 31,<br/>2011</b> | <b>September 30,<br/>2011</b> |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Commitments to extend credit  | \$ 145,936                    | \$ 132,700                   | \$ 130,646                    |
| Standby letters of credit     | \$ 9,367                      | \$ 8,074                     | \$ 6,889                      |

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

#### **Cautionary Note Regarding Any Forward-Looking Statements**

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

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

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

#### **Overview**

The following is management's discussion and analysis of certain significant factors which have affected the financial condition and results of operations of the Company as reflected in the unaudited consolidated balance sheet as of September 30, 2012 as compared to December 31, 2011 and operating results for the three-and nine-month periods ended September 30, 2012 and 2011. These comments should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes appearing elsewhere herein.

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

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(in thousands, except share data,

taxable equivalent)

|                                             | Third<br>Quarter<br>2012 | Second<br>Quarter<br>2012 | First<br>Quarter<br>2012 | Fourth<br>Quarter<br>2011 | Third<br>Quarter<br>2011 | For Nine Months Ended |                       |
|---------------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|-----------------------|-----------------------|
|                                             |                          |                           |                          |                           |                          | September 30,<br>2012 | September 30,<br>2011 |
| <b>Results of Operations:</b>               |                          |                           |                          |                           |                          |                       |                       |
| Net interest income                         | \$ 28,238                | \$ 28,881                 | \$ 27,727                | \$ 32,768                 | \$ 27,802                | \$ 84,846             | \$ 80,756             |
| Net interest income (tax equivalent)        | 28,420                   | 29,058                    | 27,655                   | 33,022                    | 28,026                   | 85,134                | 81,413                |
| Provision for loan losses                   | 6,540                    | 7,225                     | 12,882                   | 9,019                     | 7,552                    | 26,647                | 23,710                |
| Non-interest income                         | 9,831                    | 8,875                     | 27,264                   | 6,689                     | 33,945                   | 45,970                | 45,889                |
| Non-interest expense                        | 28,810                   | 26,623                    | 34,246                   | 28,710                    | 29,486                   | 89,679                | 73,014                |
| Income tax expense                          | 816                      | 1,413                     | 2,498                    | 587                       | 8,249                    | 4,727                 | 9,969                 |
| Preferred stock dividends                   | 827                      | 817                       | 815                      | 819                       | 817                      | 2,459                 | 2,422                 |
| Net income available to common shareholders | 1,076                    | 1,678                     | 4,550                    | 322                       | 15,643                   | 7,304                 | 17,530                |
| <b>Selected Average Balances:</b>           |                          |                           |                          |                           |                          |                       |                       |
| Loans, net of unearned income               | \$ 1,430,227             | \$ 1,378,448              | \$ 1,329,146             | \$ 1,335,242              | \$ 1,437,609             | \$ 1,408,642          | \$ 1,373,152          |
| Covered loans                               | 574,897                  | 601,802                   | 602,353                  | 600,367                   | 540,959                  | 564,995               | 540,730               |
| Investment securities                       | 364,786                  | 370,928                   | 356,112                  | 338,076                   | 327,195                  | 364,390               | 304,808               |
| Earning assets                              | 2,502,908                | 2,505,744                 | 2,482,070                | 2,516,100                 | 2,503,121                | 2,498,927             | 2,474,707             |
| Assets                                      | 2,935,715                | 2,966,527                 | 2,978,469                | 2,978,469                 | 3,048,337                | 2,963,978             | 2,944,875             |
| Deposits                                    | 2,616,866                | 2,591,607                 | 2,589,978                | 2,623,403                 | 2,639,848                | 2,606,551             | 2,598,025             |
| Common shareholders equity                  | 242,614                  | 243,463                   | 242,817                  | 248,729                   | 228,716                  | 242,961               | 226,568               |
| <b>Period-End Balances:</b>                 |                          |                           |                          |                           |                          |                       |                       |
| Loans, net of unearned income               | \$ 1,439,862             | \$ 1,365,489              | \$ 1,323,844             | \$ 1,332,086              | \$ 1,368,895             | \$ 1,439,862          | \$ 1,368,895          |
| Covered loans                               | 546,234                  | 601,737                   | 653,377                  | 571,489                   | 595,428                  | 546,234               | 595,428               |
| Earning assets                              | 2,443,040                | 2,465,116                 | 2,558,047                | 2,484,147                 | 2,484,378                | 2,443,040             | 2,484,378             |
| Total assets                                | 2,949,383                | 2,920,311                 | 3,043,234                | 2,994,307                 | 3,010,379                | 2,949,383             | 3,010,379             |
| Total deposits                              | 2,580,117                | 2,544,672                 | 2,665,360                | 2,591,566                 | 2,628,892                | 2,580,117             | 2,628,892             |
| Common shareholders equity                  | 247,999                  | 249,895                   | 246,813                  | 243,043                   | 243,850                  | 247,999               | 243,850               |
| <b>Per Common Share Data:</b>               |                          |                           |                          |                           |                          |                       |                       |
| Earnings per share Basic                    | \$ 0.05                  | \$ 0.07                   | \$ 0.19                  | \$ 0.01                   | \$ 0.67                  | \$ 0.31               | \$ 0.75               |
| Earnings per share Diluted                  | 0.04                     | 0.07                      | 0.19                     | 0.01                      | 0.66                     | 0.30                  | 0.74                  |
| Common book value per share                 | 10.41                    | 10.49                     | 10.36                    | 10.23                     | 10.27                    | 10.41                 | 10.27                 |
| End of period shares outstanding            | 23,819,144               | 23,819,144                | 23,814,144               | 23,751,294                | 23,742,794               | 23,819,144            | 23,742,794            |
| Weighted average shares outstanding         |                          |                           |                          |                           |                          |                       |                       |
| Basic                                       | 23,819,144               | 23,818,814                | 23,762,196               | 23,457,739                | 23,438,335               | 23,800,121            | 23,438,763            |
| Diluted                                     | 23,973,369               | 23,973,039                | 23,916,421               | 23,611,964                | 23,559,063               | 23,954,346            | 23,530,278            |
| <b>Market Price:</b>                        |                          |                           |                          |                           |                          |                       |                       |
| High closing price                          | 12.88                    | 13.40                     | 13.32                    | 10.66                     | 10.30                    | 13.40                 | 11.10                 |
| Low closing price                           | 11.27                    | 10.88                     | 10.34                    | 8.55                      | 8.47                     | 10.34                 | 8.47                  |
| Closing price for quarter                   | 12.59                    | 12.60                     | 13.14                    | 10.28                     | 8.71                     | 12.59                 | 8.71                  |
| Average daily trading volume                | 45,543                   | 58,370                    | 59,139                   | 68,654                    | 71,955                   | 54,325                | 59,275                |
| Cash dividends per share                    |                          |                           |                          |                           |                          |                       |                       |
| Stock dividend                              |                          |                           |                          |                           |                          |                       |                       |
| Closing price to book value                 | 1.21                     | 1.20                      | 1.27                     | 1.00                      | 0.85                     | 1.21                  | 0.85                  |
| <b>Performance Ratios:</b>                  |                          |                           |                          |                           |                          |                       |                       |
| Return on average assets                    | 0.26%                    | 0.34%                     | 0.72%                    | 0.15%                     | 2.14%                    | 0.44%                 | 0.79%                 |
| Return on average common equity             | 3.12%                    | 4.12%                     | 8.89%                    | 1.82%                     | 28.55%                   | 5.38%                 | 10.36%                |
| Average loans to average deposits           | 76.62%                   | 76.41%                    | 74.58%                   | 73.78%                    | 74.95%                   | 75.72%                | 73.67%                |
| Average equity to average assets            | 10.01%                   | 9.93%                     | 9.86%                    | 9.91%                     | 9.16%                    | 9.92%                 | 9.39%                 |
| Net interest margin (tax equivalent)        | 4.52%                    | 4.66%                     | 4.48%                    | 5.21%                     | 4.44%                    | 4.55%                 | 4.40%                 |
| Efficiency ratio (tax equivalent)           | 75.68%                   | 70.51%                    | 62.28%                   | 72.76%                    | 47.75%                   | 68.55%                | 57.65%                |

**Table of Contents****Results of Operations for the Three Months Ended September 30, 2012*****Consolidated Earnings and Profitability***

Ameris reported net income available to common shareholders of \$1.1 million, or \$0.04 per diluted share, for the quarter ended September 30, 2012, compared to \$15.6 million, or \$0.66 per diluted share for the same period in 2011. The Company's return on average assets and average shareholders' equity in the third quarter of 2012 was 0.26% and 3.12%, respectively, compared to 2.14% and 28.55%, respectively, in the third quarter of 2011. The decrease in income in the third quarter of 2012, compared to the third quarter of 2011, is due to an after-tax gain of \$17.5 million related to an FDIC-assisted acquisition recorded in the third quarter of 2011.

***Net Interest Income and Margins***

On a tax equivalent basis, net interest income for the third quarter of 2012 was \$28.4 million, a slight increase compared to \$28.0 million reported in the same quarter in 2011. Significant increases in the Company's net interest margin have been the result of flat yields on all classes of earning assets complemented by steady decreases in the Company's cost of funds. The Company's net interest margin decreased during the third quarter of 2012 to 4.52%, compared to 4.66% during the second quarter of 2012, but improved from 4.44% during the third quarter of 2011. Lower yields on most earning asset classes have been offset by lower funding costs and an improved allocation of earning assets.

Total interest income, on a tax equivalent basis, during the third quarter of 2012 was \$31.8 million, compared to \$35.0 million in the same quarter of 2011. Yields on earning assets fell to 5.06%, compared to 5.55% reported in the third quarter of 2011. During the third quarter of 2012, loans comprised 81.3% of earning assets, compared to 79.1% in the same quarter of 2011. Increased lending activities have provided opportunities to begin to grow the legacy loan portfolio. Yields on legacy loans improved to 5.64% in the third quarter of 2012, compared to 5.34% in the same period of 2011. Covered loan yields declined from 9.04% in the third quarter of 2011 to 6.19% in the third quarter of 2012, due to one-time adjustments made during the third quarter of 2011 associated with certain fair value adjustments. Management anticipates improving economic conditions and increased loan demand will provide opportunities to invest a portion of the short-term assets at higher yields.

Total funding costs declined to 0.51% in the third quarter of 2012, compared to 1.02% during the third quarter of 2011. Deposit costs decreased from 0.97% in the third quarter of 2011 and 0.56% in the second quarter of 2012 to 0.46% in the third quarter of 2012. Ongoing efforts to maintain the percentage of funding from transaction deposits have succeeded such that non-CD deposits averaged 68.0% of total deposits in the third quarter of 2012 compared to 60.5% during the third quarter of 2011. Lower costs on deposits were due mostly to the lower rate environment and the Company's ability to be less competitive on higher priced CDs due to its larger than normal position in short-term assets. Further opportunity to realize savings on deposits exists but may be limited due to current costs. Average balances of interest bearing deposits and their respective costs for the third quarter of 2012 and 2011 are shown below:

| (Dollars in Thousands)           | September 30, 2012  |              | September 30, 2011  |              |
|----------------------------------|---------------------|--------------|---------------------|--------------|
|                                  | Average Balance     | Average Cost | Average Balance     | Average Cost |
| NOW                              | \$ 593,204          | 0.20%        | \$ 593,801          | 0.66%        |
| MMDA                             | 631,231             | 0.39%        | 583,552             | 1.00%        |
| Savings                          | 102,129             | 0.12%        | 82,210              | 0.44%        |
| Retail CDs < \$100,000           | 365,807             | 0.79%        | 448,597             | 1.24%        |
| Retail CDs > \$100,000           | 430,677             | 0.91%        | 511,205             | 1.44%        |
| Brokered CDs                     | 41,799              | 3.16%        | 82,880              | 3.29%        |
| <b>Interest bearing deposits</b> | <b>\$ 2,164,847</b> | <b>0.55%</b> | <b>\$ 2,302,245</b> | <b>1.11%</b> |

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

The Company's provision for loan losses during the third quarter of 2012 amounted to \$6.5 million, compared to \$7.2 million in the second quarter of 2012 and \$7.6 million in the third quarter of 2011. Although the Company has experienced improving trends in criticized and classified assets for several quarters, provision for loan losses continues to be required to account for continued devaluation of real estate collateral. At September 30, 2012, classified loans still accruing totaled \$36.8 million, compared to \$33.3 million at September 30, 2011. Non-accrual loans at September 30, 2012 totaled \$38.2 million, a 13.9% decrease from the \$44.4 million reported at June 30, 2012 and a 35.3% decrease from the \$59.1 million reported at September 30, 2011.

At September 30, 2012, other real estate owned (excluding covered OREO) totaled \$37.3 million, compared to \$36.4 million at June 30, 2012 and \$50.9 million at September 30, 2011. Management regularly assesses the valuation of OREO through periodic reappraisal and through inquiries received in the marketing process. The Company has found that with a marketing window of 3-6 months, the liquidation of properties occurs between 85% and 100% of current book value. Certain properties, mostly raw land and subdivision lots, have extended marketing periods because of excessive inventory and record low home building activity. At the end of the third quarter of 2012, total non-performing assets decreased to 2.58% of total assets, compared to 3.65% at September 30, 2011, as a result of the bulk sale consummated during the first quarter of 2012. Management continues to aggressively identify and resolve problem assets while seeking quality credits to grow the loan portfolio.

Net charge-offs on loans during the third quarter of 2012 were \$6.0 million, or 1.65% of loans on an annualized basis, compared to \$6.8 million, or 1.98% of loans, in the third quarter of 2011. The Company's allowance for loan losses at September 30, 2012 was \$25.9 million, or 1.80% of total loans, compared to \$35.2 million, or 2.57% of total loans, at September 30, 2011.

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

Total non-interest income for the third quarter of 2012 was \$9.8 million, compared to \$33.9 million in the third quarter of 2011. The Company recorded a \$26.9 million gain on acquisition in the third quarter of 2011. Excluding the gain on acquisition, non-interest income increased \$2.8 million, or 38.9% in the third quarter of 2012, compared to the third quarter of 2011. Income from mortgage related activities continued to increase as a result of the Company's increased number of mortgage bankers and higher level of productions. Service charges on deposit accounts in the third quarter of 2012 increased slightly to \$5.1 million, compared to \$4.8 million in the second quarter of 2012 and \$4.7 million in the third quarter of 2011. This increase was driven by higher balances in accounts subject to service charges and continued growth of core accounts through the Company's FDIC-assisted acquisition strategy.

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

Total non-interest expenses for the third quarter of 2012 decreased to \$28.8 million, compared to \$29.5 million in the same quarter in 2011. The decrease in non-interest expense was primarily the result of declining credit related expenses. Credit related expenses, including problem loan and OREO expense and OREO write-downs and losses, decreased to \$3.7 million in the third quarter of 2012, compared to \$9.0 million in the third quarter of 2011. Excluding credit related expenses, non-interest expense totaled \$25.1 million in the third quarter of 2012, compared to \$20.5 million in the third quarter of 2011. Salaries and benefits increased \$3.5 million when compared to the third quarter of 2011, due to the reinstatement of certain compensation elements (including incentive accruals and board fees). Occupancy and equipment expense increased during the quarter from \$3.2 million in the third quarter of 2011 to \$3.3 million in the third quarter of 2012. Data processing and telecommunications expenses decreased slightly to \$2.6 million for the third quarter of 2012 from \$2.8 million for the same period in 2011.

### ***Income Taxes***

Income tax expense is influenced by the amount of taxable income, the amount of tax-exempt income and the amount of non-deductible expenses. For the third quarter of 2012, the Company reported income tax expense of \$816,000, compared to \$8.2 million in the same period of 2011. The Company's effective tax rate for the three months ending September 30, 2012 and 2011 was 30.0% and 33.4%, respectively.

### **Results of Operations for the Nine Months Ended September 30, 2012**

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

Interest income for the nine months ended September 30, 2012 was \$85.1 million on a tax equivalent basis, an increase of \$3.7 million when compared to \$81.4 million for the same period in 2011. Average earning assets for the nine-month period increased \$24.2 million to \$2.50 billion as of September 30, 2012, compared to \$2.47 billion as of September 30, 2011. Yield on average earning assets was 5.20% compared to 5.59% in the first nine months of 2011. Earning assets acquired in connection with the Company's FDIC-assisted acquisitions have allowed the



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Company to maintain rather level amounts of earning assets while interest rate floors on individual customer loans have allowed the Company to keep the yield on loans from falling precipitously in the current rate environment. Additionally, yields on the acquired assets have been much stronger than the Company's other earning assets, helping boost the Company's overall yield on earning assets.

**Table of Contents*****Interest Expense***

Total interest expense for the nine months ended September 30, 2012 amounted to \$12.1 million, reflecting a \$10.0 million decrease from the \$22.1 million expense recorded in the same period of 2011. During the nine-month period ended September 30, 2012, the Company's funding costs declined to 0.60% from 1.10% reported in the previous period. The majority of the decline in interest expense and costs relates to improvements in the cost of the Company's retail time deposits, which fell to 0.98% in the nine-month period ending September 30, 2012, compared to 1.52% in the same period in 2011. In addition to lower costs on deposits, the Company's mix of deposits has improved over the past year. Non-interest bearing deposits increased 31.1% from \$354.4 million and 13.5% of total deposits at September 30, 2011 to \$464.5 million and 18.0% of total deposits at September 30, 2012.

***Net Interest Income***

Higher levels of earning assets with generally level yields have combined with reduced funding costs to result in material improvements in net interest income. For the year-to-date period ending September 30, 2012, the Company reported \$85.1 million of net interest income on a tax equivalent basis, compared to \$81.4 million of net interest income for the same period in 2011. The Company's net interest margin increased to 4.55% in the nine month period ending September 30, 2012, compared to 4.40% in the same period in 2011.

***Provision for Loan Losses***

The provision for loan losses increased to \$26.6 million for the nine months ended September 30, 2012, compared to \$23.7 million in the same period in 2011, due to charges related to the bulk sale of certain non-performing assets in the first quarter of 2012. Non-performing assets totaled \$76.0 million at September 30, 2012, compared to \$110.0 million at September 30, 2011. For the nine-month period ended September 30, 2012, the Company had net charge-offs totaling \$33.6 million, compared to \$21.4 million for the same period in 2011. Annualized net charge-offs as a percentage of loans increased to 3.12% during the first nine months of 2012, compared to 2.09% during the first nine months of 2011, as a result of the bulk sale consummated during the first quarter of 2012.

***Non-interest Income***

Non-interest income for the first nine months of 2012 was \$46.0 million, compared to \$45.9 million in the same period in 2011. Excluding non-recurring gains on investment securities and FDIC-assisted acquisitions, the Company's non-interest income totaled \$22.9 million, an increase of \$4.1 million, or 22.1% compared to the same period in 2011. Service charges on deposit accounts increased approximately \$679,000 to \$14.3 million in the first nine months of 2012 compared to the same period in 2011. Income from mortgage banking activity increased from \$1.5 million in the first nine months of 2011 to \$8.2 million in the first nine months of 2012, due to increased number of mortgage bankers and higher level of productions.

***Non-interest Expense***

Total operating expenses for the first nine months of 2012 increased to \$89.7 million, compared to \$73.1 million in the same period in 2011. Salaries and benefits increased \$8.0 million when compared to the first nine months of 2011, due to the increased number of branch locations over this time period, the reinstatement of certain compensation elements during 2012 and increased compensation expenses related to the Company's mortgage strategy. Occupancy and equipment expenses for the first nine months of 2012 amounted to \$9.6 million, representing an increase of \$870,000 from the same period in 2011. Data processing and telecommunications expenses decreased slightly during the first nine months of 2012. Credit related expenses, including problem loan and OREO expense and OREO write-downs and losses, increased to \$19.9 million in the first nine months of 2012, compared to \$14.7 million in the first nine months of 2011, due to the Company's bulk sale of certain non-performing assets in the first quarter of 2012. During the first quarter of 2012, the Company successfully sold \$31.2 million of non-performing and classified assets through several individual transactions. Through these sales, the Company sold \$16.1 million in non-performing loans, \$13.3 million in other real estate owned and \$1.8 million in classified accruing loans. Losses associated with the sales totaled \$16.1 million.

***Income Taxes***

In the first nine months of 2012, the Company recorded income tax expense of \$4.7 million, compared to \$10.0 million in the same period of 2011. The Company's effective tax rate for the nine months ended September 30, 2012 and 2011 was 32.6% and 33.3%, respectively.



**Table of Contents****Financial Condition as of June 30, 2012****Securities**

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

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

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

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Substantially all of the unrealized losses on debt securities are related to changes in interest rates and do not affect the expected cash flows of the issuer or underlying collateral. All unrealized losses are considered temporary because each security carries an acceptable investment grade and the Company does not intend to sell these investment securities at an unrealized loss position at September 30, 2012, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Therefore, at September 30, 2012, these investments are not considered impaired on an other-than temporary basis.

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

|                                | Book Value | Fair Value | Yield | Modified Duration | Estimated Cash Flows 12 months |
|--------------------------------|------------|------------|-------|-------------------|--------------------------------|
| Dollars in Thousands           |            |            |       |                   |                                |
| September 30, 2012:            |            |            |       |                   |                                |
| U.S. government agencies       | \$ 8,606   | \$ 8,895   | 2.36% | 1.91              | \$                             |
| State and municipal securities | 106,541    | 111,742    | 3.95% | 6.02              | 9,994                          |
| Corporate debt securities      | 11,793     | 11,495     | 6.73% | 6.92              | 1,250                          |
| Mortgage-backed securities     | 222,641    | 228,919    | 2.34% | 2.42              | 71,773                         |
| Total debt securities          | \$ 349,581 | \$ 361,051 | 2.98% | 3.66              | \$ 83,017                      |
| September 30, 2011:            |            |            |       |                   |                                |
| U.S. government agencies       | \$ 20,007  | \$ 20,309  | 1.49% | 1.30              | \$ 14,300                      |
| State and municipal securities | 68,486     | 71,682     | 3.70% | 5.84              | 5,579                          |
| Corporate debt securities      | 11,638     | 11,528     | 6.79% | 6.52              | 100                            |
| Mortgage-backed securities     | 230,786    | 237,320    | 3.33% | 2.90              | 66,521                         |
| Total debt securities          | \$ 330,917 | \$ 340,839 | 3.42% | 3.57              | \$ 86,500                      |

**Loans and Allowance for Loan Losses**

At September 30, 2012, gross loans outstanding (including covered loans) were \$1.99 billion, an increase from \$1.90 billion reported at December 31, 2011. Non-covered loans increased \$74.4 million to \$1.44 billion during the third quarter of 2012, compared to \$1.37 billion at June 30, 2012 and \$1.33 billion at December 31, 2011. Covered loans decreased \$55.5 million, from \$601.7 million at June 30, 2012 and \$571.5 million at December 31, 2011, to \$546.2 million at September 30, 2012.



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The Company regularly monitors the composition of the loan portfolio to evaluate the adequacy of the allowance for loan losses in light of the impact that changes in the economic environment may have on the loan portfolio. The Company focuses on the following loan categories: (1) commercial, financial and agricultural; (2) residential real estate; (3) commercial and farmland real estate; (4) construction and development related real estate; and (5) consumer. The Company's management has strategically located its branches in select markets in south and southeast Georgia, north Florida, southeast Alabama and throughout South Carolina to take advantage of the growth in these areas.

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

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

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

For the nine month period ended September 30, 2012, the Company recorded net charge-offs totaling \$33.6 million, compared to \$21.4 million for the period ended September 30, 2011. The provision for loan losses for the nine months ended September 30, 2012 increased to \$26.6 million, compared to \$23.7 million during the nine-month period ended September 30, 2011. Increased levels of charge-offs and provision expense relates almost entirely to the Company's bulk sale of non-performing loans during the first quarter of 2012. At the end of the third quarter of 2012, the allowance for loan losses totaled \$25.9 million, or 1.80% of total legacy loans, compared to \$35.2 million, or 2.64% of total legacy loans, at December 31, 2011 and \$35.2 million, or 2.57% of total legacy loans, at September 30, 2011.

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The following table presents an analysis of the allowance for loan losses for the nine months ended September 30, 2012 and 2011:

| (Dollars in Thousands)                                              | September 30,<br>2012 | September 30,<br>2011 |
|---------------------------------------------------------------------|-----------------------|-----------------------|
| Balance of allowance for loan losses at beginning of period         | \$ 35,156             | \$ 34,576             |
| Provision charged to operating expense                              | 24,360                | 22,098                |
| Charge-offs:                                                        |                       |                       |
| Commercial, financial and agricultural                              | 889                   | 3,855                 |
| Real estate residential                                             | 6,642                 | 3,641                 |
| Real estate commercial and farmland                                 | 18,199                | 7,851                 |
| Real estate construction and development                            | 7,819                 | 6,859                 |
| Consumer installment                                                | 618                   | 508                   |
| Other                                                               |                       |                       |
| Total charge-offs                                                   | 34,167                | 22,714                |
| Recoveries:                                                         |                       |                       |
| Commercial, financial and agricultural                              | 101                   | 153                   |
| Real estate residential                                             | 199                   | 107                   |
| Real estate commercial and farmland                                 | 32                    | 43                    |
| Real estate construction and development                            | 23                    | 873                   |
| Consumer installment                                                | 197                   | 102                   |
| Other                                                               |                       |                       |
| Total recoveries                                                    | 552                   | 1,278                 |
| Net charge-offs                                                     | 33,615                | 21,436                |
| Balance of allowance for loan losses at end of period               | \$ 25,901             | \$ 35,238             |
| Net annualized charge-offs as a percentage of average loans         | 3.12%                 | 2.09%                 |
| Allowance for loan losses as a percentage of loans at end of period | 1.80%                 | 2.57%                 |

**Assets Covered by Loss-Sharing Agreements with the FDIC**

Loans that were acquired in FDIC-assisted transactions that are covered by the loss-sharing agreements with the FDIC ( covered loans ) totaled \$546.2 million, \$571.5 million and \$595.4 million at September 30, 2012, December 31, 2011 and September 30, 2011, respectively. OREO that is covered by the loss-sharing agreements with the FDIC totaled \$88.9 million, \$78.6 million and \$81.9 million at September 30, 2012, December 31, 2011 and September 30, 2011, respectively. The loss-sharing agreements are subject to the servicing procedures as specified in the agreements with the FDIC. The expected reimbursements under the loss-sharing agreements were recorded as an indemnification asset at their estimated fair value on the acquisition dates. The FDIC loss-share receivable reported at September 30, 2012, December 31, 2011 and September 30, 2011 was \$198.4 million, \$242.4 million and \$239.7 million, respectively.

The Bank recorded the loans at their fair values, taking into consideration certain credit quality, risk and liquidity marks. The Company is confident in its estimation of credit risk and its adjustments to the carrying balances of the acquired loans. If the Company determines that a loan or group of loans has deteriorated from its initial assessment of fair value, a reserve for loan losses will be established to account for that difference. During the nine months ended September 30, 2012, the year ended December 31, 2011 and the nine months ended September 30, 2011, the Company recorded provision for loan loss expense of \$2.3 million, \$2.4 million and \$1.6 million, respectively, to account for losses where the initial estimate of cash flows was found to be excessive on loans acquired in FDIC-assisted transactions. If the Company determines that a loan or group of loans has improved from its initial assessment of fair value, the increase in cash flows over those expected at the acquisition date is recognized as interest income prospectively.





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Covered loans are shown below according to loan type as of the end of the periods shown:

| (Dollars in Thousands)                   | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|------------------------------------------|-----------------------|----------------------|-----------------------|
| Commercial, financial and agricultural   | \$ 37,167             | \$ 41,867            | \$ 49,859             |
| Real estate construction and development | 73,356                | 77,077               | 82,933                |
| Real estate commercial and farmland      | 298,903               | 321,257              | 323,760               |
| Real estate residential                  | 135,154               | 127,644              | 135,318               |
| Consumer installment                     | 1,654                 | 3,644                | 3,558                 |
|                                          | \$ 546,234            | \$ 571,489           | \$ 595,428            |

**Non-Performing Assets**

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

As of September 30, 2012, nonaccrual loans totaled \$38.2 million, a decrease of approximately \$32.6 million since December 31, 2011. The decrease in nonaccrual loans is due to the bulk sale of non-performing assets during the first quarter of 2012, the success in the foreclosure and resolution process, and a significant slowdown in the formation of new problem credits. Non-performing assets as a percentage of total assets were 2.58%, 3.92% and 3.65% at September 30, 2012, December 31, 2011 and September 30, 2011, respectively.

Non-performing assets at September 30, 2012, December 31, 2011 and September 30, 2011 were as follows:

| (Dollars in Thousands)                             | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|----------------------------------------------------|-----------------------|----------------------|-----------------------|
| Total nonaccrual loans                             | \$ 38,225             | \$ 70,823            | \$ 59,067             |
| Other real estate owned and repossessed collateral | 37,325                | 46,680               | 50,866                |
| Accruing loans delinquent 90 days or more          |                       |                      | 20                    |
| Total non-performing assets                        | \$ 75,550             | \$ 117,503           | \$ 109,953            |

The restructuring of a loan is considered a troubled debt restructuring if both (i) the borrower is experiencing financial difficulties and (ii) the Company has granted a concession. The following table presents the amount of accruing troubled debt restructurings by loan class at September 30, 2012 and December 31, 2011.

| Loan class:                            | September 30, 2012 |                           | December 31, 2011 |                           |
|----------------------------------------|--------------------|---------------------------|-------------------|---------------------------|
|                                        | #                  | Balance<br>(in thousands) | #                 | Balance<br>(in thousands) |
| Commercial, financial & agricultural   | 5                  | \$ 804                    |                   | \$                        |
| Real estate construction & development | 4                  | 1,481                     | 6                 | 1,774                     |
| Real estate commercial & farmland      | 15                 | 9,540                     | 14                | 9,622                     |
| Real estate residential                | 27                 | 8,068                     | 19                | 6,555                     |
| Total                                  | 51                 | \$ 19,893                 | 39                | \$ 17,951                 |



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### Commercial Lending Practices

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

The CRE guidance is applicable when either:

- (1) total loans for construction, land development, and other land, net of owner occupied loans, represent 100% or more of a bank's total risk-based capital; or
- (2) total loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development, and other land, net of owner occupied loans, represent 300% or more of a bank's total risk-based capital.

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

As of September 30, 2012, the Company exhibited a concentration in CRE loan category based on Federal Reserve Call codes. The primary risks of CRE lending are:

- (1) within CRE loans, construction and development loans are somewhat dependent upon continued strength in demand for residential real estate, which is reliant on favorable real estate mortgage rates and changing population demographics;
- (2) on average, CRE loan sizes are generally larger than non-CRE loan types; and
- (3) certain construction and development loans may be less predictable and more difficult to evaluate and monitor.

The following table outlines CRE loan categories and CRE loans as a percentage of total loans as of September 30, 2012 and December 31, 2011. The loan categories and concentrations below are based on Federal Reserve Call codes and include covered loans.

| (Dollars in Thousands)             | September 30, 2012  |                  | December 31, 2011   |                  |
|------------------------------------|---------------------|------------------|---------------------|------------------|
|                                    | Balance             | % of Total Loans | Balance             | % of Total Loans |
| Construction and development loans | \$ 198,671          | 10%              | \$ 207,347          | 11%              |
| Multi-family loans                 | 57,046              | 3%               | 60,247              | 3%               |
| Nonfarm non-residential loans      | 819,885             | 41%              | 806,176             | 42%              |
| <b>Total CRE Loans</b>             | <b>\$ 1,075,602</b> | <b>54%</b>       | <b>\$ 1,073,770</b> | <b>56%</b>       |
| All other loan types               | 910,494             | 46%              | 829,805             | 44%              |
| <b>Total Loans</b>                 | <b>\$ 1,986,096</b> | <b>100%</b>      | <b>\$ 1,903,575</b> | <b>100%</b>      |

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The following table outlines the percent of total CRE loans, net owner occupied loans to total risk-based capital, and the Company's internal concentration limits as of September 30, 2012 and December 31, 2011:

|                              | <b>Internal<br/>Limit</b> | <b>September 30,<br/>2012<br/>Actual</b> | <b>December 31,<br/>2011<br/>Actual</b> |
|------------------------------|---------------------------|------------------------------------------|-----------------------------------------|
| Construction and development | 100%                      | 66%                                      | 71%                                     |
| Commercial real estate       | 300%                      | 241%                                     | 228%                                    |

### Short-Term Investments

The Company's short-term investments are comprised of federal funds sold and interest bearing balances. At September 30, 2012, the Company's short-term investments were \$66.9 million, compared to \$229.0 million and \$170.3 million at December 31, 2011 and September 30, 2011, respectively. At September 30, 2012, all of the balance was comprised of interest bearing balances.

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### Derivative Instruments and Hedging Activities

The Company had a cash flow hedge with notional amount of \$37.1 million at September 30, 2012, December 31, 2011 and September 30, 2011, for the purpose of converting the variable rate on the junior subordinated debentures to fixed rate. The fair value of this instrument amounted to a liability of approximately \$3.2 million, \$2.0 million and \$31,000 at September 30, 2012, December 31, 2011 and September 30, 2011, respectively. 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.

Additionally, in the second quarter of 2012, the Company began maintaining a risk management program to manage interest rate risk and pricing risk associated with its mortgage lending activities. This includes the use of forward contracts and other derivatives that are used to offset changes in value of the mortgage inventory due to changes in market interest rates. As a normal part of its operations, the Company enters into derivative contracts such as forward sale commitments and IRLCs to economically hedge risks associated with overall price risk related to IRLCs and mortgage loans held for sale carried at fair value. The fair value of these instruments amounted to an asset of approximately \$531,000 at September 30, 2012.

### Capital

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

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

- The **Leverage Ratio** is defined as Tier 1 capital to average assets. To be considered adequately capitalized under this measurement, a bank must maintain a leverage ratio greater than or equal to 4.00%. For a bank to be considered well capitalized a bank must maintain a leverage ratio greater than or equal to 5.00%.
- The **Core Capital Ratio** is defined as Tier 1 capital to total risk weighted assets. To be considered adequately capitalized under this measurement, a bank must maintain a core capital ratio greater than or equal to 4.00%. For a bank to be considered well capitalized a bank must maintain a core capital ratio greater than or equal to 6.00%.
- The **Total Capital Ratio** is defined as total capital to total risk weighted assets. To be considered adequately capitalized under this measurement, a bank must maintain a total capital ratio greater than or equal to 8.00%. For a bank to be considered well capitalized a bank must maintain a total capital ratio greater than or equal to 10.00%.

As of June 30, 2012, under the regulatory capital standards, the Bank was considered well capitalized under all capital measurements. The following table sets forth the regulatory capital ratios of Ameris at September 30, 2012, December 31, 2011 and September 30, 2011.

|                                                                    | September 30,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|--------------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| <b>Leverage Ratio</b> (tier 1 capital to average assets)           |                       |                      |                       |
| <b>Consolidated</b>                                                | 11.33%                | 10.76%               | 10.59%                |
| <b>Ameris Bank</b>                                                 | 11.30                 | 10.62                | 10.46                 |
| <b>Core Capital Ratio</b> (tier 1 capital to risk weighted assets) |                       |                      |                       |
| <b>Consolidated</b>                                                | 18.91                 | 18.80                | 19.16                 |

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|                                                                    |       |       |       |
|--------------------------------------------------------------------|-------|-------|-------|
| <b>Ameris Bank</b>                                                 | 18.88 | 18.61 | 18.99 |
| <b>Total Capital Ratio</b> (total capital to risk weighted assets) |       |       |       |
| <b>Consolidated</b>                                                | 20.16 | 20.05 | 20.42 |
| <b>Ameris Bank</b>                                                 | 20.13 | 19.87 | 20.25 |

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### **Capital Purchase Program**

On November 21, 2008, the Company issued and sold to the United States Treasury (the "Treasury"), as part of its Troubled Asset Relief Program ("TARP") Capital Purchase Program, for an aggregate cash purchase price of \$52 million, (i) 52,000 shares (the "Preferred Shares") of the Company's fixed rate Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of \$1,000 per share, and (ii) a ten-year warrant (the "Warrant") to purchase up to 679,443 shares of the Company's common stock, par value \$1.00 per share (the "Common Stock"), at an exercise price of \$11.48 per share. On June 14, 2012, the Preferred Shares were sold by the Treasury through a registered public offering as part of the Treasury's efforts to wind down its remaining TARP bank investments. While the sale of the Preferred Shares to new investors did not result in any accounting entries and does not change the Company's capital position, it eliminated many executive compensation and corporate governance restrictions that were applicable to the Company during the period in which the Treasury held its investment in the Preferred Shares. Subsequently, on August 22, 2012, the Company repurchased the Warrant from the Treasury for \$2.67 million.

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

### **Interest Rate Sensitivity and Liquidity**

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

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

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

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

Liquidity management involves the matching of the cash flow requirements of customers, who may be either depositors desiring to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs, and the ability of Ameris to manage those requirements. The Company strives to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets and interest-bearing liabilities so that the balance it has in short-term investments at any given time will adequately cover any reasonably anticipated immediate need for funds. Additionally, the Bank maintains relationships with correspondent banks, which could provide funds on short notice, if needed. The Company has invested in FHLB stock for the purpose of establishing credit lines with the FHLB. The credit availability to the Bank is equal to 20% of the Bank's total assets as reported on the most recent quarterly financial information submitted to the

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regulators subject to the pledging of sufficient collateral. There were no outstanding borrowings with the Company's correspondent banks at September 30, 2012, compared to \$20.0 million at December 31, 2011 and \$21.0 million at September 30, 2011.



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

|                                                                 | September 30,<br>2012 | June 30,<br>2012 | March 31,<br>2012 | December 31,<br>2011 | September 30,<br>2011 |
|-----------------------------------------------------------------|-----------------------|------------------|-------------------|----------------------|-----------------------|
| Investment securities available for sale to total deposits      | 13.99%                | 14.42%           | 13.95%            | 13.12%               | 12.97%                |
| Loans (net of unearned income) to total deposits <sup>(1)</sup> | 55.81%                | 53.66%           | 49.67%            | 51.40%               | 52.07%                |
| Interest-earning assets to total assets                         | 82.83%                | 84.41%           | 84.06%            | 82.96%               | 82.23%                |
| Interest-bearing deposits to total deposits                     | 82.00%                | 83.14%           | 83.32%            | 84.74%               | 86.52%                |

(1) Loans exclude covered assets where appropriate

The liquidity resources of the Company are monitored continuously by the ALCO Committee and on a periodic basis by state and federal regulatory authorities. As determined under guidelines established by these regulatory authorities, the Company's and the Bank's liquidity ratios at September 30, 2012 were considered satisfactory. The Company is aware of no events or trends likely to result in a material change in liquidity.

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

The Company is exposed only to U.S. dollar interest rate changes, and, accordingly, the Company manages exposure by considering the possible changes in the net interest margin. The Company does not have any trading instruments nor does it classify any portion of the investment portfolio as held for trading. The Company's hedging activities are limited to cash flow hedges that are part of the Company's program to manage interest rate sensitivity and the use of forward contracts and other derivatives that are used to offset changes in value of the mortgage inventory due to changes in market interest rates. At September 30, 2012, the Company had one effective LIBOR rate swap with a notional amount of \$37.1 million. The LIBOR rate swap exchanges fixed rate payments of 4.15% for floating rate payments based on the three month LIBOR and matures December 2018. The Company also had forward contracts with a fair value of approximately \$531,000 at September 30, 2012 to hedge changes in the value of the mortgage inventory due to changes in market interest rates. Finally, the Company has no exposure to foreign currency exchange rate risk, commodity price risk and other market risks.

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

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

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

**Item 4. Controls and Procedures.**

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

During the quarter ended September 30, 2012, there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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### **PART II OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

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

#### **Item 1A. Risk Factors.**

There have been no material changes to the risk factors disclosed in Item 1A. of Part 1 in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

None.

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

None.

#### **Item 4. Mine Safety Disclosures.**

Not applicable.

#### **Item 5. Other Information.**

On November 7, 2012, the Bank and certain executive officers and other employees of the Bank and the Company entered into Supplemental Executive Retirement Agreements (the "Retirement Agreements"), the purpose of which is to provide a select group of employees who are expected to contribute significantly to the future business success of the Company and the Bank with supplemental retirement income and death benefits. Each Retirement Agreement provides for the payment of an annual retirement benefit, payable in monthly installments, commencing when the employee reaches age 65, provided that the employee is then employed by the Bank. Included among the officers entering into a Retirement Agreement were the Company's executive officers for whom disclosure was provided as named executive officers in the Company's Proxy Statement with respect to its 2012 Annual Meeting of Shareholders., each of whom is to receive annual retirement benefits under his or her respective Retirement Agreement as follows: (i) Edwin W. Hortman, Jr., President and Chief Executive Officer, \$250,000 for ten years; (ii) Dennis J. Zember Jr., Executive Vice President and Chief Financial Officer, \$200,000 for fifteen years; (iii) Jon S. Edwards, Executive Vice President, Chief Credit Officer and Director of Credit Administration, \$100,000 for fifteen years; and (iv) Cindi H. Lewis, Executive Vice President, Chief Administrative Officer and Corporate Secretary, \$100,000 for ten years.

Each Retirement Agreement provides for a reduced benefit in the event that the employee terminates his or her employment prior to reaching age 65. If the termination is voluntary and without good reason, as defined in the Retirement Agreements, then the termination benefit is equal to the liability balance then accrued in the Company's accounting records for the employee, to be paid out in monthly installments ratably over a period of ten years commencing at age 65; provided, however, that Mr. Hortman and Ms. Lewis, as well as certain other non-named executive officer employees currently age 57 or older, do not become vested in this benefit until after the five-year anniversary of the date of his or her Retirement Agreement, and each of Messrs. Zember and Edwards, as well as certain other non-named executive officer employees currently age 53 or younger, do not become vested in this benefit until after the ten-year anniversary of the date of his or her Retirement Agreement. If the termination of employment is involuntary and without cause, as defined in the Retirement Agreements, or is voluntary but with good reason, then the termination benefit is equal to the liability balance then accrued in the Company's accounting records for the employee, to be paid out in monthly installments ratably over a period of ten years commencing at age 65, without a time-vesting precondition. If the employee is terminated for cause at any time, then all remaining benefits under his or her Retirement Agreement will be forfeited.

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Each Retirement Agreement also provides that if the applicable employee dies prior to reaching age 65, then the annual retirement benefit amount set forth above will be payable in monthly installments to the employee's beneficiary for a period of ten years, commencing upon the employee's death. In addition, if the employee becomes disabled prior to reaching age 65, then the employee will be entitled to a benefit equal to the liability balance then accrued in the Company's accounting records for the employee, to be paid out in monthly installments ratably over a period of five years commencing at the time of disability. The Retirement Agreement with Mr. Hortman further provides that, following a change in control, as defined in such Retirement Agreement, Mr. Hortman will be entitled to receive the annual retirement benefit amount set forth above in monthly installments for a period of ten years commencing at age 65, without regard to whether he continues to be employed by the Bank until reaching age 65.

### **Item 6. Exhibits.**

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

### **SIGNATURE**

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

Date: November 9, 2012

**AMERIS BANCORP**

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

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**EXHIBIT INDEX**

| <b>Exhibit No.</b> | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1                | Articles of Incorporation of Ameris Bancorp, as amended (incorporated by reference to Exhibit 2.1 to Ameris Bancorp's Regulation A Offering Statement on Form 1-A filed with the Commission on August 14, 1987).                                                                                                                                                                                                                                                               |
| 3.2                | Amendment to Amended Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1.1 to Ameris Bancorp's Form 10-K filed with the Commission on March 28, 1996).                                                                                                                                                                                                                                                                                       |
| 3.3                | Amendment to Amended Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 4.3 to Ameris Bancorp's Registration Statement on Form S-4 filed with the Commission on July 17, 1996).                                                                                                                                                                                                                                                                 |
| 3.4                | Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.5 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 25, 1998).                                                                                                                                                                                                                                                                |
| 3.5                | Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.7 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 26, 1999).                                                                                                                                                                                                                                                                |
| 3.6                | Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.9 to Ameris Bancorp's Annual Report on Form 10-K filed with the Commission on March 31, 2003).                                                                                                                                                                                                                                                                |
| 3.7                | Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on December 1, 2005).                                                                                                                                                                                                                                                              |
| 3.8                | Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on November 21, 2008).                                                                                                                                                                                                                                                             |
| 3.9                | Articles of Amendment to the Articles of Incorporation of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on June 1, 2011).                                                                                                                                                                                                                                                                  |
| 3.10               | Amended and Restated Bylaws of Ameris Bancorp (incorporated by reference to Exhibit 3.1 to Ameris Bancorp's Current Report on Form 8-K filed with the Commission on March 14, 2005).                                                                                                                                                                                                                                                                                           |
| 10.1               | Supplemental Executive Retirement Agreement with Edwin W. Hortman, Jr. dated as of November 7, 2012.                                                                                                                                                                                                                                                                                                                                                                           |
| 10.2               | Supplemental Executive Retirement Agreement with Dennis J. Zember Jr. dated as of November 7, 2012.                                                                                                                                                                                                                                                                                                                                                                            |
| 10.3               | Supplemental Executive Retirement Agreement with Jon S. Edwards dated as of November 7, 2012.                                                                                                                                                                                                                                                                                                                                                                                  |
| 10.4               | Supplemental Executive Retirement Agreement with Cindi H. Lewis dated as of November 7, 2012.                                                                                                                                                                                                                                                                                                                                                                                  |
| 31.1               | Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Executive Officer                                                                                                                                                                                                                                                                                                                                                                                                |
| 31.2               | Rule 13a-14(a)/15d-14(a) Certification by the Company's Chief Financial Officer                                                                                                                                                                                                                                                                                                                                                                                                |
| 32.1               | Section 1350 Certification by the Company's Chief Executive Officer                                                                                                                                                                                                                                                                                                                                                                                                            |
| 32.2               | Section 1350 Certification by the Company's Chief Financial Officer                                                                                                                                                                                                                                                                                                                                                                                                            |
| 101                | The following financial statements from Ameris Bancorp's Form 10-Q for the quarter ended September 30, 2012, formatted as interactive data files in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations and Comprehensive Income; (iii) Consolidated Statements of Changes in Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements. (1) |

- (1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not to be filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.