ABC BANCORP
Form S-4/A
November 03, 2005

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 2, 2005

REGISTRATION NO. 333-128269

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ABC BANCORP

(Exact name of registrant as specified in its charter)

Georgia	**6022**	**58-1456434**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

24 2nd Avenue, S.E.

Moultrie, Georgia 31768

(229) 890-1111

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Dennis Zember, Jr.

Executive Vice President and Chief Financial Officer

24 2nd Avenue, S.E.

Moultrie, Georgia 31768

(229) 890-1111

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Steven E. Fox, Esq.

Rogers & Hardin LLP

2700 International Tower

229 Peachtree Street, N.E.

Atlanta, Georgia 30303

(404) 522-4700

Robert C. Schwartz, Esq.

Smith, Gambrell & Russell, LLP

Promenade II, Suite 3100

1230 Peachtree Street, N.E.

Atlanta, Georgia 30309

(404) 815-3500

Approximate date of commencement of proposed sale to the public: Upon the merger of First National Banc, Inc. with and into the Registrant.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per unit	Proposed maximum aggregate offering price (2)	Amount of registration fee (3)
Common Stock, par value $1.00 per share	1,604,441 shares	N/A	$ 5,356,302	$ 630

(1) This amount is based upon the estimated maximum number of shares of the registrant s common stock issuable upon the consummation of the merger described in this Registration Statement and is equal to the product of (i) the 660,644 shares of First National Banc, Inc. common

stock which may be exchanged for shares of the registrant s common stock in connection with the merger, based upon the 1,016,376 shares of First National Banc, Inc. common stock outstanding on September 30, 2005; and (ii) an assumed share exchange ratio of 2.4286 shares of the registrant s common stock issuable in exchange for each outstanding share of First National Banc, Inc. common stock which may be exchanged for shares of the registrant s common stock in the merger.

(2) This amount is estimated solely for purposes of calculating the registration fee. It is calculated pursuant to paragraphs (f)(2) and (f)(3) of Rule 457 under the Securities Act of 1933 and is equal to (i) the product of (a) $17.17, the per share book value of First National Banc, Inc. common stock as of September 30, 2005, and (b) the 1,016,376 shares of First National Banc, Inc. common stock outstanding on September 30, 2005; less (ii) the minimum amount of cash to be paid by the registrant in the transaction, which is anticipated to be $12,094,874.

(3) A portion of the registration fee equal to $619 was paid with the initial filing of this Registration Statement.

THIS REGISTRATION STATEMENT SHALL HEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH THE PROVISIONS OF SECTION 8(a) OF THE SECURITIES ACT OF 1933.

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The information in this Proxy Statement/Prospectus is not complete and may be changed. ABC BANCORP may not distribute or issue the shares of ABC Common Stock described herein until the registration statement of which this Proxy Statement/Prospectus is a part has been declared effective by the Securities and Exchange Commission. This Proxy Statement/Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION

DATED NOVEMBER 2, 2005

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

To First National Shareholders:

I am writing to you today about our proposed merger with ABC Bancorp. The boards of directors of ABC Bancorp and First National Banc, Inc. have each agreed to a merger that will result in First National merging with and into ABC. This transaction provides First National with growth and strategic opportunities that would not be available to First National on a stand-alone basis.

You will be asked to vote on the merger at the 2005 Annual Meeting of Shareholders of First National to be held on December 12, 2005, at 6:30 p.m., local time, at the Holiday Inn at the Jacksonville International Airport, 14670 Duval Road, Jacksonville, Florida 32218. We cannot complete the merger unless the holders of a majority of the shares of First National common stock outstanding on October 28, 2005, the record date for the annual meeting, vote in favor of approval and adoption of the merger agreement, as amended. A copy of the merger agreement, including a copy of the amendment to the merger agreement, is attached as APPENDIX A to this proxy statement/prospectus. We urge you to read this proxy statement/prospectus carefully and in its entirety. Your board of directors recommends that you vote FOR the approval and adoption of the merger agreement, as amended.

Subject to certain exceptions described in this proxy statement/prospectus, if the merger is completed, then you will receive, for each First National share that you own, either $34.00 in cash or a to-be-determined number of shares of ABC common stock with a market value, measured as of a 20-day trading period prior to the closing of the merger, equal to $34.00. For purposes of illustration only, if the merger had occurred on October 28, 2005, the exchange ratio for each share of First National common stock would have been 1.8468 shares of ABC common stock, having a value of $18.41 based on the average closing price of ABC common stock over the trading period.

You may elect to receive ABC common stock, cash or a combination of stock and cash for your First National shares, subject to proration in the event the aggregate stock elections exceed 65% or are less than 40%. Because elections are subject to proration, you may receive some stock, rather than cash, even though you make an all-cash election, and you may receive some cash, rather than stock, even though you make an all-stock election. We encourage you to obtain current market quotations for ABC common stock, which is quoted on The Nasdaq National Market under the ticker symbol ABCB.

Whether or not you plan to attend the annual meeting, please take the time to vote by completing and mailing the enclosed proxy card to us. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote in favor of the merger. If you fail to return your proxy card or do not vote in person at the meeting, the effect will be the same as a vote against the merger.

Under Georgia law, you are entitled to dissent from the transactions contemplated by the merger agreement. A copy of the dissenters rights provisions under Georgia law is attached as APPENDIX B to this proxy statement/prospectus.

We very much appreciate and look forward to your support.

Sincerely,

Roscoe H. Mullis

Chairman of the Board and Chief Executive Officer,

First National Banc, Inc.

See the section entitled Risk Factors at page 15 for a discussion of certain factors that you should consider before you vote.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger or the securities to be issued in connection with the merger or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The shares of ABC common stock are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency.

The date of this proxy statement/prospectus is November 2, 2005, and it is being mailed or otherwise delivered to First National shareholders on or about November 8, 2005.

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PLEASE NOTE

This document, which is sometimes referred to as a proxy statement/prospectus , constitutes a proxy statement of First National Banc, Inc. with respect to the solicitation of proxies from First National shareholders for the annual meeting described herein and a prospectus of ABC Bancorp for the shares of ABC common stock that ABC will issue to First National shareholders in connection with the merger.

We have not authorized anyone to provide you with any information other than the information included in this proxy statement/prospectus and the documents we refer you to herein. If someone provides you with other information, then please do not rely on it.

This proxy statement/prospectus has been prepared as of the date on the cover page. There may be changes in the affairs of ABC or First National since that date that are not reflected in this document.

As used in this proxy statement/prospectus: (i) the terms ABC and First National refer to ABC Bancorp and First National Banc, Inc., respectively, and, where the context requires, to ABC and First National and their respective subsidiaries; and (ii) the term merger agreement refers to the merger agreement which governs the merger of First National with and into ABC, dated as of June 30, 2005, as amended by the amendment to the merger agreement, dated as of October 28, 2005.

As permitted under the rules of the Securities and Exchange Commission (the SEC), this proxy statement/prospectus incorporates important business and financial information about ABC that is contained in documents filed with the SEC and that is not included in, or delivered with, this document. See the section entitled Incorporation of Certain Documents by Reference at page 108. You may obtain copies of these documents without charge from the website maintained by the SEC at www.sec.gov as well as from other sources. You may also obtain copies of these documents, without charge, by writing or calling:

Ms. Cindi H. Lewis

ABC Bancorp

24 2nd Avenue, S.E.

Moultrie, Georgia 31768

Telephone: (229) 890-1111

In order to obtain timely copies of such information in advance of the annual meeting, you should make your request no later than December 5, 2005.

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FIRST NATIONAL BANC, INC.

2509 OSBORNE ROAD

ST. MARYS, GEORGIA 31558

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of First National Banc, Inc. will be held at the Holiday Inn at the Jacksonville International Airport, 14670 Duval Road, Jacksonville, Florida 32218 at 6:30 p.m., local time, on December 12, 2005, for the following purposes:

1. To consider and vote upon a proposal to approve and adopt an agreement and plan of merger, dated as of June 30, 2005, as amended as of October 28, 2005, pursuant to which ABC Bancorp will acquire First National Banc, Inc. You can find a copy of the merger agreement attached as APPENDIX A to the accompanying proxy statement/prospectus.

2. To elect 15 directors to First National s board of directors to serve until the earlier of (i) the completion of the merger, (ii) the 2006 annual meeting of shareholders of First National and until their successors are duly elected and qualified, or (iii) their earlier death, resignation or removal from office.

3. To transact such other business, if any, that may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Only shareholders of record at the close of business on October 28, 2005 are entitled to receive notice of and vote at the annual meeting or any adjournment or postponement of the annual meeting. Approval and adoption of the merger agreement requires the affirmative vote of at least a majority of all of the votes entitled to be cast at the annual meeting. The election of directors requires a plurality of the votes cast on the matter, meaning that the 15 nominees receiving the most votes will be elected as directors. A failure to vote will have the same effect as voting against the approval and adoption of the merger agreement.

Dissenters rights are available under Georgia law to First National shareholders with respect to the merger. See the section entitled Statutory Provisions for Dissenting Shareholders at page 52 of the accompanying proxy statement/prospectus for a discussion of the availability of dissenters rights and the procedures required to be followed to assert dissenters rights in connection with the merger.

We look forward to seeing you at the annual meeting. Your vote is important. Please mark, sign and return your proxy card, whether or not you plan to attend the annual meeting.

Your board of directors has determined that the proposed merger is advisable and in the best interest of First National and its shareholders. Your board of directors recommends that you vote FOR the proposal to approve and adopt the merger agreement and

FOR each of the director nominees.

By Order of the Board of Directors,

Roscoe H. Mullis

Chairman and Chief Executive Officer

November 2, 2005

Whether or not you expect to be present at the annual meeting in person, please vote, sign, date and return the enclosed proxy promptly in the enclosed business reply envelope. If you do attend the annual meeting, then you may withdraw your proxy and vote in person.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE ANNUAL MEETING

Q: WHY ARE YOU PROPOSING THAT FIRST NATIONAL BE ACQUIRED BY ABC?

A. We believe that the proposed acquisition of First National by ABC will provide our shareholders with substantial benefits and will enable us to better serve our customers. Our products and markets generally are complementary, and the combined company should be in a better position to take advantage of opportunities within our market. The merger will enable you to hold stock in a larger and more diversified entity, whose shares are more widely held and more actively traded than are the shares of First National, or to receive cash for all or a portion of your First National shares. To review the reasons for the merger in more detail, see the section entitled Reasons for the Merger at page 24.

Q: WHAT DO I NEED TO DO NOW?

A: Carefully read this document, indicate on your proxy card how you want to vote, and sign, date and return the proxy card as soon as possible. First National s board of directors has voted to recommend that First National shareholders vote FOR the approval and adoption of the merger agreement and FOR the election of each of the director nominees.

Q: MY SHARES ARE HELD IN MY BROKER S NAME. HOW DO I GO ABOUT VOTING?

A: Copies of this proxy statement/prospectus have been sent to your broker, who must forward a copy to you. The broker will request instructions from you as to how you want your shares to be voted and will vote your shares according to your instructions. Your broker cannot vote your shares with respect to the merger without your instructions. Your failure to instruct your broker how to vote your shares with respect to the merger will have the same effect as voting against the merger.

Q: WHAT WILL I RECEIVE IN THE MERGER?

A: Except in certain circumstances described under the section entitled Terms of the Merger Merger Consideration at page 36, if the merger is completed, then you will receive, for each First National share that you own, either $34.00 in cash or a to-be-determined number of shares of ABC common stock with an aggregate market value, measured as of a 20-day trading period ending two days prior to the completion of the merger (which is referred to in this proxy statement/prospectus as the trading period), equal to $34.00. You may elect to receive ABC common stock, cash or a combination of stock and cash for your First National shares, subject to proration in the event the aggregate stock elections exceed 65% or are less than 40%. It is possible, therefore, that you will receive a different proportion of stock and cash than you elect. For example, if stock elections representing more than 65% of the outstanding shares of First National common stock prior to the merger are made, then ABC will prorate the number of shares of its common stock that the holders of First National common stock will receive so that no more than 65% of the First National shares are converted into ABC common stock. ABC will not issue fractional shares. First National shareholders who would otherwise be entitled to receive a fractional share of ABC common stock instead will receive cash based on the average closing price of the ABC common stock during the trading period.

Q: WHAT ARE THE TAX CONSEQUENCES TO ME OF THE MERGER?

A: We do not expect the merger to result in the recognition of any tax by First National shareholders for federal income tax purposes, except with respect to any cash received. See the section entitled Federal Income Tax Consequences of the Merger at page 50 for a description of certain federal income tax consequences of the merger.

Q: WHAT IS THE REQUIRED VOTE TO APPROVE AND ADOPT THE MERGER AGREEMENT?

A: The holders of a majority of the outstanding shares of First National common stock as of October 28, 2005, the record date for the annual meeting, must vote to approve and adopt the merger

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agreement in order for the merger to be completed. Abstentions from voting and broker non-votes are not considered affirmative votes and, therefore, will have the same practical effect as a vote against the merger. In addition, certain First National shareholders, including all of First National s directors, which shareholders beneficially owned, in the aggregate, approximately 68.1% of the outstanding shares of First National common stock, as of the record date, entered into a voting agreement with ABC pursuant to which they granted to ABC an irrevocable proxy to vote all voting securities of First National held by such shareholders in favor of the approval and adoption of the merger agreement. As a result, the approval and adoption of the merger agreement by the First National shareholders is practically assured. No vote of ABC shareholders is required to complete the merger.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: No. Under separate cover from this proxy statement/prospectus, we will send all First National shareholders written instructions and transmittal materials for exchanging their share certificates. You will receive these instructions prior to the annual meeting.

Q: IF I LOST MY FIRST NATIONAL STOCK CERTIFICATE, CAN I STILL GET MY NEW STOCK?

A: Yes. However, you will have to provide a paid surety bond that will protect ABC against a loss in the event someone finds or has your lost certificate and is able to transfer it. To avoid having to pay for a surety bond, you should do everything you can to find your First National certificate before the time comes to send it in.

Q: AM I ENTITLED TO DISSENTERS RIGHTS IN CONNECTION WITH THE MERGER?

A: Yes. If you wish, you may exercise dissenters rights arising out of the transactions contemplated by the merger agreement and obtain a cash payment for the fair value of your shares under Georgia law. To exercise dissenters rights, you must not vote in favor of the approval and adoption of the merger agreement, and you must strictly comply with all of the applicable requirements of Georgia law summarized under the section entitled Statutory Provisions for Dissenting Shareholders at page 52. The fair value of your shares may be more or less than the consideration to be paid in the merger. We have included a copy of the applicable provisions of Georgia law as APPENDIX B to this proxy statement/prospectus.

Q: HOW DO I ELECT THE TYPE OF THE MERGER CONSIDERATION THAT I PREFER TO RECEIVE?

A: Under separate cover from this proxy statement/prospectus, we will send all First National shareholders an election form and transmittal materials prior to the annual meeting. You must properly complete and deliver to the exchange agent the election materials, together with your stock certificates (or a properly completed notice of guaranteed delivery). A return envelope will be enclosed for submitting the election form and certificates to the exchange agent. This is different from the envelope that you will use to return your completed proxy card. **Please do not send your stock certificates or form of election with your proxy card.** Election forms and stock certificates (or a properly completed notice of guaranteed delivery) must be received by the exchange agent by the election deadline, which is 5:00 p.m., Eastern time, on the day which is five days prior to the effective time of the merger. If your shares are held in a brokerage or other custodial account, you should receive instructions from the entity where your shares are held advising you of the procedures for making your election and delivering your shares. If you do not receive these instructions, you should contact the entity where your shares are held. If you do not submit a properly completed and signed election form to the exchange agent by the election deadline (or if you submit a properly completed election form indicating no election, together with the certificates representing all of your shares), then you will be deemed to have made an election to convert one-half of your First National

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shares into cash and one-half of your First National shares into shares of ABC common stock. In the event the merger agreement is terminated, any First National stock certificates that you previously sent to the exchange agent will be promptly returned to you without charge.

Q: CAN I BE SURE OF THE VALUE OF THE SHARES OF ANY ABC COMMON STOCK THAT I RECEIVE IN THE MERGER?

A: No. The value of the merger consideration composed of ABC common stock can change, although the cash portion of the merger consideration will not change. See the section entitled Terms of the Merger Merger Consideration at page 36.

Q: WHY AM I ELECTING DIRECTORS WHEN I AM BEING ASKED TO APPROVE AND ADOPT THE MERGER AGREEMENT?

A: Georgia law requires First National to hold a meeting of its shareholder each year. Notwithstanding the fact that we expect to complete the merger in the fourth quarter of this year, First National has determined to observe this requirement and hold an annual shareholders meeting to elect directors. The directors elected at the annual meeting will preside over any business matters presented to First National s board of directors following the annual meeting through the completion of the merger. Effective upon the completion of the merger, these individuals will no longer be directors of First National.

Q: WHEN DO YOU EXPECT TO COMPLETE THE MERGER?

A: We are working toward completing the merger as quickly as possible. In addition to First National shareholder approval, we must also obtain regulatory approvals. We expect the merger to be completed before the end of the year.

Q: WHO SHOULD I CALL WITH QUESTIONS ABOUT THE MERGER?

A: If you have any questions about the merger, you should contact Cindi H. Lewis at ABC at (229) 890-1111.

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A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus includes forward-looking statements within the meaning 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 discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Forward-looking statements are generally identifiable by the use of forward-looking terminology such as anticipate, believe, continue, could, endeavor, estimate, expect, forecast, goal, intend, may, objective, potentia should, will and other similar words and expressions of future intent.

The ability of ABC and First National to predict results or the actual effect of future plans or strategies is inherently uncertain. Although ABC and First National believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, actual results and performance could differ materially from those set forth in the forward-looking statements. Factors that could cause actual results and performance to differ from those expressed in our forward-looking statements include, but are not limited to:

- the costs of integrating ABC s and First National s operations, which may be greater than ABC expects;
- potential customer loss and deposit attrition as a result of the merger and the failure to achieve expected gains, revenue growth and/or expense savings from such transactions;
- ABC s ability to effectively manage interest rate risk and other market, credit and operational risks;
- ABC s ability to manage fluctuations in the value of assets and liabilities and off-balance sheet exposure so as to maintain sufficient capital and liquidity to support ABC s business;
- ABC s ability to keep pace with technological changes;
- ABC s ability to develop competitive new products and services in a timely manner and the acceptance of such products and services by our customers and potential customers;
- ABC s ability to expand into new markets;
- the cost and other effects of material contingencies, including litigation contingencies;
- further easing of restrictions on participants in the financial services industry, such as banks, securities brokers and dealers, investment companies and finance companies, may increase competitive pressures and affect our ability to preserve our customer relationships and margins;

possible changes in general economic and business conditions in the United States in general and in the region and communities we serve in particular may lead to a deterioration in credit quality, which could require increases in our provision for credit losses, or a reduced demand for credit, thereby reducing earning assets;

the threat or occurrence of war or acts of terrorism and the existence or exacerbation of general geopolitical instability and uncertainty; and

possible changes in trade, monetary and fiscal policies, laws, and regulations, and other activities of governments, agencies, and similar organizations, including changes in accounting standards.

The cautionary statements in the section entitled Risk Factors at page 15 and elsewhere in this proxy statement/prospectus also identify important factors and possible events that involve risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. ABC and First National do not intend, and undertake no obligation, to update or revise any forward-looking statements, whether as a result of differences in actual results, changes in assumptions or changes in other factors affecting such statements.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It does not contain all the information that is important to you. Each item in this summary refers to a page where that subject is discussed in more detail. To understand the merger fully, and for a more complete description of the legal terms of the merger and the merger agreement, you should read carefully this entire proxy statement/prospectus and the documents to which we have referred you. See the sections entitled Where You Can Get More Information at page 108 and Incorporation of Certain Documents by Reference at page 108. In addition, the merger agreement is attached as APPENDIX A to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by this reference. We urge you to read the merger agreement in its entirety; it is the legal document that governs the merger. Unless the context requires otherwise, the terms we, our, and us refer to ABC and First National together.

Information About ABC (page 64) and First National (Page 64)

ABC BANCORP, 24 2nd AVENUE, S.E., MOULTRIE, GEORGIA 31768; (229) 890-1111. ABC is a Georgia bank holding company headquartered in Moultrie, Georgia that owns 12 subsidiary banks. As of June 30, 2005, ABC had consolidated total assets of approximately $1,305.2 million, consolidated total loans of approximately $962.4 million and consolidated shareholders equity of approximately $125.1 million. ABC, through its subsidiary banks, is engaged in a full range of traditional banking, mortgage banking, investment and insurance services to individual and corporate customers through its 37 locations in Georgia, Florida and Alabama.

FIRST NATIONAL BANC, INC., 2509 OSBORNE ROAD, ST. MARYS, GEORGIA 31558; (912) 882-3400. First National is a Georgia bank holding company headquartered in St. Marys, Georgia that owns two subsidiary banks. As of June 30, 2005, First National had consolidated total assets of approximately $270.0 million, consolidated total loans of approximately $206.0 million and consolidated shareholders equity of approximately $17.1 million. First National, through its subsidiary banks, is engaged in a full range of banking services at five locations in Georgia and Florida.

The Merger (Page 21)

The proposed acquisition of First National by ABC is governed by a merger agreement. The merger agreement provides that, if all of the conditions set forth in the merger agreement are satisfied or waived, First National will merge with and into ABC. ABC will be the surviving corporation after the merger, and one or both of First National Bank, St. Marys, Georgia (St. Marys) and First National Bank, Orange Park, Florida (Orange Park), each a subsidiary of First National, will be merged with and into The First Bank of Brunswick or another wholly-owned subsidiary of ABC. If either St. Marys or Orange Park does not merge with and into The First Bank of Brunswick or another wholly-owned subsidiary of ABC, then the First National subsidiary bank which does not participate in such merger shall continue as a wholly-owned subsidiary of ABC.

Except in certain circumstances described under the section entitled Terms of the Merger Merger Consideration at page 36, if the merger is completed, then each of the issued and outstanding shares of First National common stock will be converted into the right to receive either $34.00 in cash or a to-be-determined number of shares of ABC common stock with a market value, measured as of the trading period, equal to $34.00. You may elect to receive ABC common stock, cash or a combination of stock and cash for your First National shares, subject to proration in the event the aggregate stock elections exceed 65% or are less than 40%. It is possible, therefore, that you will receive a different proportion of stock and cash than you elect. For example, if stock elections representing more than 65% of the outstanding shares of First National common stock prior to the merger are made, then ABC will prorate the number of shares of its common stock that the holders of First National common stock will receive so that no more than 65% of the First National shares are converted into ABC common stock.

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ABC will not issue fractional shares. First National shareholders who would otherwise be entitled to receive a fractional share of ABC common stock instead will receive cash based on the average closing price of the ABC common stock during the trading period.

Depending upon what elections are made with respect to the receipt of ABC common stock in connection with the merger, existing First National shareholders will own between approximately 5.92% and 9.28% of the total outstanding shares of ABC common stock following the merger.

We urge you to read the merger agreement, which is attached as APPENDIX A to this proxy statement/prospectus, in its entirety.

Federal Income Tax Consequences of the Merger (Page 50)

The merger has been structured to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which is referred to in this proxy statement/prospectus as the Code. It is a condition to the completion of the merger that First National and ABC receive opinions from their respective tax counsel, dated as of the effective date of the merger, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. Assuming the merger qualifies as a reorganization, in general:

If you receive a combination of ABC common stock and cash in exchange for your First National common stock and your tax basis in your First National common stock is less than the sum of the cash and the fair market value, as of the effective date of the merger, of the ABC common stock received, you generally will recognize gain equal to the lesser of: (i) the sum of the cash and the fair market value of the ABC common stock you receive, minus the tax basis of your First National common stock surrendered, and (ii) the amount of cash you receive in the merger. However, if your tax basis in the First National common stock surrendered in the merger is greater than the sum of the cash and the fair market value of the ABC common stock you receive, then your loss will not be currently allowed or recognized for federal income tax purposes.

If you receive solely ABC common stock in exchange for First National common stock, then you generally will not recognize any gain or loss, except with respect to cash you receive in lieu of fractional shares of First National common stock.

If you receive solely cash in exchange for your First National common stock, then you generally will recognize gain or loss equal to the difference between the amount of cash you receive and the tax basis in your shares of First National common stock.

See the section entitled Federal Income Tax Consequences of the Merger at page 50 for a more complete discussion of the United States federal income tax consequences of the merger. We urge you to consult with your tax advisor for a full understanding of the tax consequences of the merger to you.

Opinion of Financial Advisor to First National (Page 25)

Allen C. Ewing & Co. (Ewing) has given an opinion to First National s board of directors that, as of June 30, 2005, the consideration to be received in the merger was fair, from a financial point of view, to First National shareholders. This opinion is attached as APPENDIX C to this proxy statement/prospectus. You should read this opinion completely to understand the assumptions made, matters considered and limitations of the review undertaken by Ewing. This opinion does not constitute a recommendation to any First National shareholder as to how to vote on the merger agreement or as to the form of consideration that a First National shareholder should elect.

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Opinion of Financial Advisor to ABC (Page 29)

SunTrust Robinson Humphrey (SunTrust) has given an opinion dated June 29, 2005 to ABC s board of directors that, as of such date, the consideration to be paid in the merger to the First National shareholders was fair, from a financial point of view, to ABC. This opinion is attached as APPENDIX D to this proxy statement/prospectus.

Reasons for the Merger (Page 24)

First National believes that by becoming part of a larger organization with greater resources, it will be able to serve its customers and communities better and provide more competitive services. The merger will also enable First National shareholders to exchange their relatively illiquid shares of First National common stock, in a partially tax-free transaction, for cash and shares of common stock of a larger company, the stock of which is more widely held and more liquid than that of First National.

First National Annual Shareholders Meeting (Page 19)

First National will hold its annual shareholders meeting on December 12, 2005 at 6:30 p.m., local time, at the Holiday Inn at the Jacksonville International Airport, 14670 Duval Road, Jacksonville, Florida 32218. At the annual meeting, First National shareholders will be asked to consider and vote upon the approval and adoption of the merger agreement and the election of 15 directors to First National s board of directors. First National shareholders may also consider such other matters as may properly be brought before the annual meeting and may be asked to vote on a proposal to adjourn or postpone the annual meeting, which could be used to allow more time for soliciting additional votes to approve and adopt the merger agreement.

First National Record Date and Voting (Page 19)

If you owned shares of First National common stock at the close of business on October 28, 2005, the record date for the annual meeting, you are entitled to vote on the approval and adoption of the merger agreement, the election of directors and any other matters considered at the annual meeting. On the record date, there were 1,016,376 shares of First National common stock outstanding. You will have one vote at the annual meeting for each share of First National common stock you owned on the record date. The affirmative vote of shareholders owning at least a majority of the outstanding First National common stock is required to approve and adopt the merger agreement. The affirmative vote of a plurality of the votes represented and entitled to vote at the annual meeting is required to elect directors. As of the close of business on the record date for the annual meeting, directors and executive officers of First National and their respective affiliates may be deemed to be the beneficial owners of shares of First National common stock representing approximately 68.1% of the outstanding voting power of First National. Each of the directors and executive officers of First National has indicated that such person intends to vote or direct the vote of all the shares of First National common stock over which such person has voting control in favor of the merger proposal and the election of each of the director nominees. In addition, certain First National shareholders, including all of First National s directors, which shareholders beneficially owned, in the aggregate, approximately 68.1% of the outstanding shares of First National common stock, as of the record date, entered into a voting agreement with ABC pursuant to which they granted to ABC an irrevocable proxy to vote all voting securities of First National held by such shareholders in favor of the approval and adoption of the merger agreement. As a result, the approval and adoption of the merger agreement by the First National shareholders is practically assured.

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First National s Board of Directors Recommends Shareholder Approval (Page 19)

First National s board of directors has determined that the merger is advisable and in the best interests of First National and its shareholders and unanimously recommends that you vote FOR the approval and adoption of the merger agreement and FOR the election of each of the director nominees.

ABC s Dividend Policy Following the Merger (Page 42)

ABC currently pays quarterly dividends of $0.14 per share of common stock. ABC expects that it will continue to pay quarterly dividends, but it may change that policy based on business conditions, its financial condition or other factors. First National is not currently permitted to pay dividends on the First National common stock without the approval of the Board of Governors of the Federal Reserve System (the Federal Reserve Board). Further, First National is also restricted under the merger agreement from paying dividends or making any distributions in respect of First National common stock.

Interests of First National s Directors and Executive Officers in the Merger (Page 54)

When considering the recommendation of First National s board of directors, you should be aware of potential conflicts of interest of, and the benefits available to, certain of First National s directors and executive officers. These directors and executive officers may be deemed to have interests in the merger that are different from, or in addition to, their interests as First National shareholders generally. First National s board of directors was aware of these interests and considered them before approving the merger and the merger agreement.

Comparative Rights of Shareholders (Page 96)

Both ABC and First National are incorporated under the laws of the State of Georgia and are subject to the Georgia Business Corporation Code and the Georgia Financial Institutions Code. Upon completion of the merger, the shareholders of First National will become shareholders of ABC, and the Articles of Incorporation and Bylaws of ABC will govern their rights. ABC s Articles of Incorporation and Bylaws differ somewhat from First National s Articles of Incorporation and Bylaws.

Effect of the Merger on First National Stock Options (Page 42)

On June 30, 2005, there were 21,214 outstanding options to purchase First National common stock, which options had exercise prices of between $14.05 and $35.00 per share. Pursuant to the terms of the merger agreement, any option that is outstanding at the effective time of the merger will be cancelled in consideration of a cash payment to the option holder.

Accounting Treatment of the Merger (Page 43)

We expect to account for the merger as a purchase transaction for accounting and financial reporting purposes under accounting principles generally accepted in the United States (GAAP).

Employee Benefits of First National Employees After the Merger (Page 42)

ABC has agreed to offer to all current employees of First National who become ABC employees substantially the same employee benefits as those offered by ABC to its employees in similar positions. ABC will also give First National employees full credit for their years of service with First National for both eligibility and vesting.

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Conditions to the Merger (Page 39)

We will complete the merger only if several conditions are satisfied, including the following:

- at least a majority of First National s outstanding shares are voted in favor of the approval and adoption of the merger agreement;
- the representations and warranties made by ABC and First National in the merger agreement are materially true and correct as of the effective date of the merger;
- we receive all necessary regulatory approvals and any waiting periods required by law have passed; and
- First National s counsel delivers an opinion that First National shareholders will not recognize gain or loss for federal income tax purposes on the receipt of shares of ABC common stock that they receive in the merger.

Termination of the Merger Agreement (Page 40)

Notwithstanding the approval and adoption of the merger agreement by First National shareholders at the annual meeting, our boards of directors can jointly agree to terminate the merger agreement at any time. In addition, either party can terminate the merger agreement if:

- we do not complete the merger by December 31, 2005;
- the other party materially breaches its representations, warranties or covenants it made or obligations it has under the merger agreement and fails to cure the breach;
- the conditions to completing the merger are not satisfied; or
- any applicable regulatory agency denies approval of the merger.

ABC Common Stock Issued in the Merger to be Listed on NASDAQ (Page 42)

The shares of ABC common stock to be issued in the merger will be listed on The Nasdaq National Market under the symbol ABCB.

Required Regulatory Approvals (Page 40)

We cannot complete the merger unless it is approved by the Federal Reserve Board and the Georgia Department of Banking and Finance. ABC has filed applications with the Federal Reserve Board and the Georgia Department of Banking and Finance for approval of the merger. Although we cannot be certain when or whether we will obtain the required regulatory approvals, we do not know of any reason why we should not obtain them in a timely manner.

Comparative Market Prices of Common Stock (Page 12)

ABC common stock is traded on The Nasdaq National Market under the symbol ABCB. First National common stock is not traded on any established market. On June 30, 2005, the last day prior to the public announcement of the merger, the last reported sale price per share of ABC common stock on The Nasdaq National Market was $18.08. The resulting equivalent pro forma price per share of First National common stock would have been $33.23.

To the knowledge of First National, the most recent sale of First National common stock prior to the public announcement of the merger was on March 8, 2005, which was a sale of 50 shares for a purchase price of $46.00 per share. To the knowledge of First National, there have been no sales since the announcement of the merger. There can be no assurance as to what the market price of the ABC common stock will be if and when the merger is consummated.

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Dissenting Shareholders Rights (Page 52)

First National shareholders may dissent from the merger and, upon following the requirements of Georgia law, receive cash in the amount of the fair value of their First National shares instead of the cash and shares of ABC stock offered pursuant to the merger agreement.

Any First National shareholder who wishes to exercise dissenters rights:

- must file a written notice of intent to dissent prior to the vote;
- must not vote in favor of the merger agreement; and
- must strictly comply with the procedural requirements of Georgia law.

A copy of the dissenters rights statutes is attached as APPENDIX B to this proxy statement/prospectus. We encourage you to read the statutes carefully and to consult with legal counsel if you desire to exercise your dissenters rights.

Selected Consolidated Financial Information

We are providing the following information to help you analyze the financial aspects of the merger. This information is based on and should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and related notes of ABC and First National for the year ended December 31, 2004 and the quarter ended June 30, 2005, which appear elsewhere in this proxy statement/prospectus. Information as of and for the quarter ended June 30, 2005 and 2004 with respect to both ABC and First National is unaudited; however, in the opinion of management of ABC and First National, respectively, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of the results for the periods presented have been included. Neither ABC s nor First National s results for the six months ended June 30, 2005 are necessarily indicative of the results of operations that may be expected for any other interim period or the year as a whole. The information has been adjusted to reflect all stock splits and stock dividends declared through the last date of each period presented. See the sections entitled Where You Can Get More Information at page 108, ABC Bancorp Financial Statements at page F-1 and First National Banc, Inc. Financial Statements at page F-1.

ABC BANCORP AND SUBSIDIARIES

(In Thousands, Except Per Share Data and Ratios)

	Six Months Ended June 30,		Years Ended December 31,				
	2005	**2004**	**2004**	**2003**	**2002**	**2001**	**2000**
Selected Balance Sheet Data:							
Total assets	$ 1,305,156	$ 1,157,156	$ 1,267,993	$ 1,169,111	$ 1,193,406	$ 1,177,953	$ 826,197
Total loans	962,412	859,653	877,074	840,539	833,447	805,076	587,381
Total deposits	1,035,863	879,187	986,224	906,524	916,047	931,156	679,885
Investment securities	218,371	192,784	221,741	196,289	184,081	156,835	162,105
Stockholders equity	125,084	115,415	120,939	113,613	107,484	104,148	80,656
Selected Income Statement Data:							
Interest income	36,153	31,109	64,365	64,479	71,347	72,913	68,976
Interest expense	11,461	9,360	19,375	22,141	28,240	34,928	30,805
Net interest income	24,692	21,749	44,990	42,338	43,107	37,985	38,171
Provision for loan losses	905	938	1,786	3,945	5,574	4,566	1,712
Other income	7,156	6,629	13,023	14,718	15,706	11,749	8,215
Other expenses	20,290	18,159	36,505	35,147	37,807	30,843	30,233
Income before tax	10,653	9,281	19,722	17,964	15,432	14,325	14,441
Income tax expense	3,553	3,053	6,621	5,954	5,077	4,692	4,343
Net income	$ 7,100	$ 6,228	$ 13,101	$ 12,010	$ 10,355	$ 9,633	$ 10,098
Per Share Data:							
Net income basic	$ 0.60	$ 0.53	$ 1.12	$ 1.03	$ 0.87	$ 0.87	$ 0.99
Net income diluted	0.61	0.53	1.11	1.02	0.87	0.87	0.99
Book value	10.54	9.81	10.28	9.68	9.17	8.68	8.05
Tangible book value	8.15	7.92	7.84	7.76	7.16	6.57	7.37
Dividends	0.28	0.24	0.47	0.43	0.40	0.40	0.38
Profitability Ratios:							
Net income to average total assets	1.12%	1.07%	1.12%	1.04%	0.90%	1.00%	1.27%
Net income to average stockholders equity	11.55%	10.78%	11.19%	10.85%	9.81%	10.30%	13.19%
Net interest margin	4.23%	4.07%	4.15%	3.96%	4.07%	4.27%	5.14%
Efficiency ratio	63.71%	63.99%	62.93%	61.60%	64.28%	62.02%	65.18%
Loan Quality Ratios:							
Net charge-offs to total loans	-0.03%	0.16%	0.22%	0.46%	0.68%	0.54%	0.30%
Reserve for loan losses to total loans and OREO	1.72%	1.77%	1.77%	1.78%	1.78%	1.85%	1.67%
Non performing assets to total loans and OREO	0.53%	0.86%	0.70%	0.95%	1.11%	1.67%	0.95%
	377.50%	264.68%	274.70%	231.20%	196.64%	124.97%	202.18%

Reserve for loan losses to nonperforming loans							
Reserve for loan losses to total nonperforming assets	323.25%	205.82%	253.32%	187.58%	160.74%	111.00%	175.38%
Liquidity Ratios:							
Loans to total deposits	92.91%	97.78%	88.93%	92.72%	90.98%	86.46%	86.39%
Loans to average earning assets	82.43%	80.42%	80.91%	78.63%	78.76%	90.56%	79.05%
Noninterest-bearing deposits to total deposits	14.59%	14.70%	15.22%	15.63%	14.38%	13.48%	13.96%
Capital Adequacy Ratios:							
Common stockholders equity to total assets	9.58%	9.97%	9.54%	9.72%	9.01%	8.84%	9.76%
Average total stockholders equity to average total assets	9.68%	9.97%	9.98%	9.56%	9.17%	9.74%	9.59%
Dividend payout ratio	46.67%	45.28%	41.96%	41.75%	45.98%	45.98%	38.38%

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FIRST NATIONAL BANC, INC. AND SUBSIDIARIES

	Six Months Ended June 30,		Years Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
Selected Balance Sheet Data:							
Total assets	$ 270,037,473	$ 233,543,029	$ 265,634,948	$ 142,128,389	$ 118,895,203	$ 113,530,413	$ 90,227,394
Total loans	206,020,080	197,295,811	220,311,351	116,879,504	96,394,707	77,531,767	58,955,269
Total deposits	233,067,414	186,319,436	229,629,221	112,806,134	90,026,216	86,071,217	68,538,790
Investment securities	18,533,225	15,834,082	17,578,770	9,045,775	11,575,682	21,225,317	17,337,856
Stockholders equity	17,091,254	21,652,443	18,139,878	11,790,096	10,532,865	8,636,683	7,679,040
Selected Income Statement Data:							
Interest income	8,538,484	6,312,624	14,926,368	9,079,560	8,322,241	7,949,251	6,370,412
Interest expense	2,997,540	1,757,006	4,250,979	3,183,575	3,622,371	4,407,828	3,707,880
Net interest income	5,540,944	4,555,618	10,675,389	5,895,985	4,699,870	3,541,423	2,662,532
Provision for loan losses	3,597,000	265,658	7,808,877	456,519	592,347	633,328	167,141
Other income	1,066,370	938,133	2,206,593	1,469,565	2,036,229	1,950,566	1,069,137
Other expenses	4,405,668	3,366,759	8,219,458	4,697,969	4,119,453	3,210,982	2,422,332
Income before tax	(1,395,354)	1,861,334	(3,146,353)	2,211,062	2,024,299	1,647,679	1,142,196
Income tax expense	(597,579)	730,237	(1,234,000)	782,322	695,393	536,500	372,600
Net income	$ (797,775)	$ 1,131,097	$ (1,912,353)	$ 1,428,740	$ 1,328,906	$ 1,111,179	$ 769,596
Per Share Data:							
Net income loss basic	$ (0.78)	$ 1.30	$ (2.03)	$ 1.99	$ 2.74	$ 2.56	$ 1.73
Net income loss diluted	(0.78)	1.29	(2.03)	1.96	2.69	2.54	1.72
Book value	16.82	21.30	17.54	24.15	21.61	20.21	17.58
Tangible book value	14.46	18.77	15.15	24.15	21.61	20.21	17.58
Dividends	0.20	0.12	0.57	0.00	0.00	0.00	0.00
Profitability Ratios:							
Net income to average total assets	(0.60%)	1.20%	(0.81%)	1.10%	1.14%	1.09%	0.91%
Net income to average stockholders equity	(9.06%)	13.53%	(10.08%)	13.02%	13.86%	13.62%	10.57%
Net interest margin	4.55%	5.29%	4.95%	4.93%	4.43%	3.90%	3.61%
Efficiency ratio	66.68%	61.28%	63.81%	63.78%	61.15%	58.47%	64.91%
Loan Quality Ratios:							
Net charge-offs to total loans	2.07%	-0.03%	2.78%	0.09%	0.26%	0.22%	0.21%
Reserve for loan losses to total loans and OREO	2.71%	1.37%	1.88%	1.33%	1.27%	1.15%	0.72%
Non performing assets to total loans and OREO	2.61%	1.09%	2.74%	1.81%	1.12%	1.41%	2.81%
Reserve for loan losses to nonperforming loans	155.85%	797.17%	88.46%	575.93%	141.11%	97.62%	30.99%
Reserve for loan losses to total nonperforming assets	103.98%	126.49%	68.65%	73.36%	113.57%	81.06%	25.81%
Liquidity Ratios:							
Loans to total deposits	88.40%	105.89%	95.94%	103.61%	107.07%	90.08%	86.02%
Loans to average earning assets	84.54%	114.51%	102.25%	97.81%	90.96%	85.38%	79.83%

Noninterest-bearing deposits to total deposits	11.55%	13.07%	10.37%	9.32%	12.06%	12.03%	12.52%
Capital Adequacy Ratios:							
Common stockholders equity to total assets	6.33%	9.27%	6.83%	8.30%	8.93%	7.61%	8.51%
Average total stockholders equity to average total assets	6.58%	8.90%	8.07%	8.42%	8.25%	8.01%	8.66%
Dividend payout ratio	(25.64%)	16.46%	(28.08%)	0.00%	0.00%	0.00%	0.00%

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Selected Unaudited Pro Forma Combined Consolidated Financial Information

The following selected unaudited pro forma combined consolidated financial information of ABC and First National combine the consolidated financial information of ABC for the year ended December 31, 2004 and as of and for the six months ended June 30, 2005, with the consolidated financial information of First National for the year ended December 31, 2004 and as of and for the six months ended June 30, 2005, after giving effect to the merger. The information presented below is based on and should be read in conjunction with, and is qualified in its entirety by, the unaudited pro forma combined consolidated financial information, and the notes thereto, appearing elsewhere in this proxy statement/prospectus.

We are providing the selected unaudited pro forma combined consolidated financial information for informational purposes only. The pro forma information is not necessarily indicative of the combined results of operations or actual results of ABC that would have been reported had the merger been completed at the beginning of the periods presented and should not be taken as representative of the future combined results of operations of ABC.

We prepared the selected unaudited pro forma combined consolidated financial information using the purchase method of accounting. The selected unaudited pro forma combined consolidated financial information does not include the realization of any cost savings from operating efficiencies, synergies or other restructuring activities which might result from the merger. The information has been adjusted to reflect all stock splits and stock dividends declared through the last date of each period presented. See the section entitled Unaudited Pro Forma Combined Consolidated Financial Information at page 46.

ABC BANCORP AND SUBSIDIARIES

COMBINED WITH FIRST NATIONAL BANC, INC. AND SUBSIDIARIES

SELECTED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

(In Thousands, Except Per Share Data and Ratios)

	Six Months Ended June 30, 2005	Year Ended December 31, 2004
Selected Balance Sheet Data:		
Total assets	$ 1,580,260	$ 1,538,999
Total loans	1,168,433	1,097,385
Total deposits	1,268,930	1,215,853
Investment securities	236,904	239,320
Stockholders equity	147,546	143,401
Selected Income Statement Data:		
Interest income	45,892	78,897
Interest expense	14,309	23,626
Net interest income	31,583	55,271
Provision for loan losses	4,716	9,595

Other income	8,051	15,230
Other expenses	26,362	45,306
Income before tax	8,556	15,600
Income tax expense	2,790	5,055
Net income	$ 5,766	$ 10,545

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ABC BANCORP AND SUBSIDIARIES

COMBINED WITH FIRST NATIONAL BANC, INC. AND SUBSIDIARIES

SELECTED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

(In Thousands, Except Per Share Data and Ratios)

	Six Months Ended June 30, 2005	Year Ended December 31, 2004
Per Share Data:		
Net income basic	$ 0.44	$ 0.81
Net income diluted	0.44	0.81
Book value	11.28	11.05
Tangible book value	7.59	7.54
Dividends	0.27	0.47
Profitability Ratios:		
Net income to average total assets	0.75%	0.75%
Net income to average stockholders equity	7.93%	7.56%
Net interest margin	4.51%	4.29%
Efficiency ratio	66.51%	64.26%
Loan Quality Ratios:		
Net charge-offs to total loans	0.34%	0.73%
Reserve for loan losses to total loans and OREO	1.90%	1.79%
Non performing assets to total loans and OREO	0.90%	1.11%
Reserve for loan losses to nonperforming loans	277.33%	189.89%
Reserve for loan losses to total nonperforming assets	210.52%	161.28%
Liquidity Ratios:		
Loans to total deposits	92.08%	90.26%
Loans to average earning assets	83.51%	85.24%
Noninterest-bearing deposits to total deposits	14.03%	14.30%
Capital Adequacy Ratios:		
Common shareholders equity to total assets	9.34%	9.32%
Average total stockholders equity to average total assets	9.42%	9.87%
Dividend payout ratio	61.36%	58.02%

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Comparison of Certain Unaudited Per Share Data

The following tables present unaudited selected historical, pro forma combined and equivalent per share data, as if the merger had been consummated on the date indicated. The information is based on the historical financial statements of ABC and First National. The pro forma data does not purport to be indicative of the results of operations or the actual results that would have occurred had the merger been consummated at the beginning of the periods presented. The pro forma data gives effect to the merger based on numerous assumptions and estimates. If the merger is consummated as anticipated, then it will be accounted for as a purchase. The information presented below should be read in conjunction with, and is qualified in its entirety by, the separate consolidated financial statements, including applicable notes, of ABC and First National, and the Unaudited Pro Forma Combined Consolidated Financial Information, and notes thereto, appearing elsewhere in this proxy statement/prospectus.

	As of and for the Six Months Ended June 30, 2005				As of and for the Year Ended December 31, 2004			
	ABC	First National	Pro forma Combined(1)	Equivalent First National Amount Per Share(2)	ABC	First National	Pro forma Combined(1)	Equivalent First National Amount Per Share(2)
Net Income Per Common Share Basic	$ 0.60	$ (0.78)	$ 0.44	$ 0.81	$ 1.12	$ (2.03)	$ 0.81	$ 1.49
Net Income Per Common Share Diluted	0.60	(0.78)	0.44	0.81	1.11	(2.03)	0.81	1.49
Dividends Per Common Share	0.28	0.20	0.27	0.50	0.47	0.57	0.47	0.86
Book Value Per Common Share	10.54	16.82	11.28	20.73	10.28	17.85	11.05	20.30
Tangible Book Value Per Common Share	8.15	14.46	7.59	13.96	7.84	15.41	7.54	13.86

(1) See the section entitled Unaudited Pro Forma Combined Consolidated Financial Information at page 46.

(2) The equivalent share information for First National in the above table is computed in the following manner: (a) approximately 35% of the shares of First National common stock (including shares with respect to which dissenters rights have been perfected) will be converted into cash; and (b) approximately 65% of the shares of First National common stock will be converted into shares of ABC common stock (plus cash in lieu of any fractional shares) having a market value of $18.50 per share at an exchange ratio of 1.8378 shares of ABC common stock for each share of First National common stock.

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Comparative Stock Prices

ABC common stock is traded on The Nasdaq National Market under the symbol ABCB. First National common stock is not publicly traded. The following table sets forth, for the indicated periods, the high and low closing sale prices for ABC common stock as reported by The Nasdaq National Market. The stock prices do not include retail mark-ups, mark-downs or commissions. On February 15, 2005, ABC s board of directors approved a six-for-five stock split of the ABC common stock payable on or about March 31, 2005 to ABC shareholders of record on March 15, 2005. The amounts below have been adjusted to reflect this stock split. ABC had a total of 1,975 shareholders of record as of October 28, 2005.

	ABC Common Stock Closing Sales Prices	
	High	**Low**
2005		
Fourth Quarter (through October 28, 2005)	$ 18.96	$ 17.90
Third Quarter	$ 17.78	$ 20.03
Second Quarter	$ 18.72	$ 16.38
First Quarter	$ 18.52	$ 15.08
2004		
Fourth Quarter	$ 17.77	$ 15.62
Third Quarter	$ 16.38	$ 13.54
Second Quarter	$ 16.50	$ 14.23
First Quarter	$ 15.56	$ 12.89
2003		
Fourth Quarter	$ 13.64	$ 12.56
Third Quarter	$ 13.68	$ 11.52
Second Quarter	$ 11.36	$ 10.50
First Quarter	$ 11.08	$ 10.03

On June 30, 2005, the last day prior to the public announcement of ABC s proposed acquisition of First National, the last reported sale price per share of ABC common stock on The Nasdaq National Market was $18.08, and the resulting equivalent pro forma price per share of First National common stock was $33.23. On October 28, 2005, the latest practicable date prior to the mailing of this proxy statement/prospectus, the last reported sale price per share of ABC common stock on The Nasdaq National Market was $18.85, and the resulting equivalent pro forma price per share of First National common stock was $34.81. The equivalent per share price of a share of First National common stock at each specified date represents the last reported sale price of a share of ABC common stock on such date multiplied by an assumed exchange ratio of approximately 1.8378 shares of ABC common stock with respect to June 30, 2005, and 1.8468 shares of ABC common stock with respect to October 28, 2005, plus $12,095,000 in cash (exclusive of any withholdings). The market price of ABC common stock at the effective time of the merger may be higher or lower than the market price at the time the merger proposal was announced, at the time the merger agreement was executed, at the time the mailing of this proxy statement/prospectus or at the time of the annual meeting. First National shareholders are not assured of receiving any specific market value of ABC common stock at the effective time of the merger, and such value may be more or less than the current value of ABC common stock.

There is no established public market for the First National common stock. To the knowledge of First National, the most recent trade of First National common stock prior to June 30, 2005, the last day prior to the public announcement of ABC s proposed acquisition of First National, was the sale of 50 shares on March 8, 2005, at $46.00 per share. To the knowledge of First National, there have been no trades of First National common stock since the announcement of the merger.

The information regarding First National common stock is provided for informational purposes only and, due to the absence of an active market for First National common stock, you should not view it as indicative of the actual or market value of First National common stock.

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Dividends

The holders of ABC common stock are entitled to receive dividends when and if declared by ABC s board of directors out of funds legally available therefor. Although ABC currently intends to continue to pay quarterly cash dividends on ABC common stock, there is no assurance that ABC s dividend policy will remain unchanged after completion of the merger. The declaration and payment of dividends thereafter will depend upon business conditions, operating results, capital and reserve requirements, and the consideration by ABC s board of directors of other relevant factors.

ABC is a legal entity separate and distinct from its subsidiaries and its revenues depend in significant part on the payment of dividends from its subsidiary institutions. ABC s subsidiary depository institutions are subject to certain legal restrictions on the amount of dividends they are permitted to pay. See the section entitled Supervision and Regulation Payment of Dividends at page 59. These restrictions may limit ABC s ability to pay dividends to its shareholders. As of November 2, 2005, ABC does not believe these restrictions will impair ABC s ability to declare and pay its routine and customary dividends.

The holders of First National common stock are entitled to receive such dividends or distributions as First National s board of directors may declare out of funds legally available for such payments. The payment of distributions by First National is subject to the restrictions of Georgia law applicable to the declaration of distributions by a business corporation. A corporation generally may not authorize and make distributions if, after giving effect thereto, it would be unable to meet its debts as they become due in the usual course of business or if the corporation s total assets would be less than the sum of its total liabilities plus the amount that would be needed, if it were to be dissolved at the time of distribution, to satisfy claims upon dissolution of shareholders who have preferential rights superior to the rights of the holders of its common stock.

The ability of First National to pay distributions is affected by the ability of its subsidiary banks to pay dividends. The ability of First National s subsidiary banks, as well as of First National, to pay dividends in the future is influenced by bank regulatory requirements and capital guidelines. At the request of the Federal Reserve Board, First National has agreed not to pay any dividends on the First National common stock without the approval of the Federal Reserve Board. First National is also restricted under the merger agreement from paying dividends or making any distributions in respect of First National common stock.

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The following table sets forth cash dividends declared per share of ABC common stock, as adjusted for ABC s stock split effective March 15, 2005, and First National common stock for the periods indicated.

	ABC Quarterly Cash Dividends Declared Per Share	First National Quarterly Cash Dividends Declared Per Share
YEAR ENDING DECEMBER 31, 2005		
Third Quarter	$ 0.14	$
Second Quarter	$ 0.14	$
First Quarter	$ 0.14	$ 0.20
Total	$ 0.28	$ 0.20
YEAR ENDED DECEMBER 31, 2004		
Fourth Quarter	$ 0.12	$ 0.15
Third Quarter	$ 0.12	$ 0.15
Second Quarter	$ 0.12	$ 0.15
First Quarter	$ 0.12	$ 0.11
Total	$ 0.48	$ 0.56
YEAR ENDED DECEMBER 31, 2003		
Fourth Quarter	$ 0.12	$
Third Quarter	$ 0.12	$
Second Quarter	$ 0.10	$
First Quarter	$ 0.10	$
Total	$ 0.44	$

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RISK FACTORS

In addition to the other information contained or incorporated by reference in this proxy statement/prospectus, we urge you to consider the following factors before deciding how to vote on the approval and adoption of the merger agreement.

Risks Associated with the Merger

You may not know the exact mix of consideration you will receive and might not be able to exchange your First National common stock without recognizing gain for federal income tax purposes.

The consideration to be received by First National shareholders in the merger is subject to proration. If you elect to receive all of the merger consideration in shares of ABC common stock and the all-stock election is oversubscribed, then you will receive a portion of the merger consideration in cash. Similarly, if you elect to receive all of the merger consideration in cash and all the all-cash election is oversubscribed, then you will receive a portion of the merger consideration in shares of ABC common stock. Accordingly, you may not receive exactly the type of consideration you elect to receive in the merger, which could result in, among other things, tax consequences that differ from those that would have resulted if you had received the form of consideration that you elected (including the potential recognition of gain for federal income tax purposes if you receive cash). A discussion of the proration mechanism can be found under the section entitled Terms of the Merger Merger Consideration at page 36 and a discussion of the material federal income tax consequences of the merger can be found under the section entitled Federal Income Tax Consequences of the Merger at page 50.

Because the market price of ABC common stock may fluctuate, you cannot be sure of the market value of the common stock that you will receive in the merger.

Upon completion of the merger, the issued and outstanding shares of First National common stock will be converted into the right to receive a combination of cash and shares of ABC common stock pursuant to the terms of the merger agreement. The value of the portion of the merger consideration that will be paid in shares of ABC common stock will be determined based on the average closing price of ABC common stock during the trading period. The market price of ABC common stock will likely be different, and may be lower, on the date you receive your shares of ABC common stock than this average. Differences in ABC s stock price may result from a variety of factors, including general market and economic conditions, changes in ABC s business, operations and prospects, and regulatory considerations. Many of these factors are beyond ABC s control. If the market price of ABC common stock declines after you vote, and you receive ABC common stock as a portion of the merger consideration, then you will be receiving less value than you expected when you voted.

The market value of the ABC common stock received by you in the merger may change based upon the average closing price of ABC common stock.

If the average closing price of ABC common stock during the trading period is between $14.00 and $20.00 per share, then the market value of the ABC common stock to be received by First National shareholders in the merger will equal $34.00 per share measured as of the trading period. If the average closing price is less than $14.00 per share, then First National will have the right to terminate the merger agreement unless

ABC increases the merger consideration so that you receive what you would have received had the average closing price been $14.00 per share. If the average closing price is less than $14.00 per share and First National does not exercise its right of termination, then the value of the ABC common stock received by First National shareholders in the merger will be less than $34.00 per share measured as of the trading period.

Combining our two companies may be more difficult, costly or time-consuming than we expect.

ABC and First National have operated and, until completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees or disruption of each company s ongoing business or inconsistencies in standards, procedures and policies that adversely affect

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our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger. If we have difficulties with the integration process, then we might not achieve the economic benefits we expect to result from the merger. As with any merger of banking institutions, there also may be business disruptions that cause us to lose customers or cause customers to take their deposits out of our banks and move their business to other financial institutions.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated.

The merger must be approved by the Federal Reserve Board and the Georgia Department of Banking and Finance. The Federal Reserve Board and the Georgia Department of Banking and Finance will consider, among other factors, the competitive impact of the merger, our financial and managerial resources and the convenience and needs of the communities to be served. As part of that consideration, we expect that the Federal Reserve Board and the Georgia Department of Banking and Finance will review capital position, safety and soundness, and legal and regulatory compliance matters and Community Reinvestment Act matters. There is no assurance as to whether these and other regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed.

The market price of ABC common stock after the merger may be affected by factors different from those affecting First National common stock currently.

The businesses of ABC and First National differ in certain respects and, accordingly, the results of operations of the combined company and the market price of the combined company s shares of common stock after the merger may be affected by factors different from those currently affecting the independent results of operations of each of ABC and First National. For a discussion of the businesses of ABC and First National and of certain factors to consider in connection with those businesses, see the sections entitled Information About ABC at page 64 and Information About First National at page 64 and the documents that ABC has filed with the SEC.

The merger agreement limits First National s ability to pursue alternatives to the merger.

The merger agreement contains provisions that limit First National s ability to discuss competing third-party proposals to acquire all or a significant part of First National or its subsidiary banks. In addition, First National has agreed to pay ABC a fee of $1.5 million if the transaction is terminated because First National decides to pursue another acquisition transaction. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of First National from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the merger or might result in a potential competing acquiror proposing to pay a lower per share price to acquire First National than it might otherwise have proposed to pay.

Certain directors and executive officers of First National have interests in the merger other than their interests as shareholders.

Certain directors and executive officers of First National have interests in the merger other than their interests as shareholders. First National s board of directors was aware of these interests at the time it approved the merger. These interests may cause First National s directors and executive officers to view the merger proposal differently than you may view it. See the section entitled Interests of First National s Directors and Executive Officers in the Merger at page 54.

The trading volume in ABC common stock has been relatively low.

The trading volume in ABC common stock on The Nasdaq National Market has been relatively low when compared with larger companies listed on The Nasdaq National Market or other stock exchanges. We cannot say

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with any certainty that a more active and liquid trading market for ABC common stock will develop. Because of this, it may be more difficult for you to sell a substantial number of shares for the same price at which you could sell a smaller number of shares.

You will have less influence as a shareholder of ABC than you have as a shareholder of First National.

Based upon the amount of cash received by First National shareholders in the merger, the First National shareholders as a group will own between 5.92% (if 60% of the merger consideration is in the form of cash) and 9.28% (if 35% of the merger consideration is in the form of cash) of the common stock of the combined company. If the merger occurs, then each First National shareholder who receives ABC common stock will become a shareholder of ABC with a percentage ownership of the combined company much smaller than such shareholder s percentage interest of First National and, accordingly, will have less influence on the management and policies of ABC than such shareholder now has on the management and policies of First National.

The fairness opinion obtained by First National will not reflect changes in circumstances between the signing of the merger agreement and the effective date of the merger.

First National has not obtained an updated opinion as of the date of the amendment to the merger agreement or as of the date of this document from its financial adviser. Changes in the operations and prospects of First National, general market and economic conditions and other factors which may be beyond the control of First National, and on which the fairness opinion was based, may alter the value of First National or the prices of shares of First National common stock and shares of ABC common stock by the time the merger is completed. The opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. For a description of the opinion that First National received from its financial advisor, see the section entitled Opinion of Financial Advisor to First National at page 25.

Risks Associated with ABC

Changes in interest rates could have an adverse effect on ABC s income.

The combined company s profitability depends to a large extent upon its net interest income. Net interest income is the difference between interest income on interest-earning assets, such as loans and investments, and interest expense on interest-bearing liabilities, such as deposits and borrowings. ABC s net interest income will be adversely affected if market interest rates change such that the interest the combined company has to pay on deposits and borrowings increases faster than the interest we earn on loans and investments. See the section entitled Supervision and Regulation-Fiscal and Monetary Policy at page 63.

Competition in the banking industry is intense.

Competition in the banking and financial services industry is intense. In their primary market areas, ABC s subsidiary banks compete with other commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors have substantially greater resources and lending limits than ABC s subsidiary banks and may offer certain services that ABC s subsidiary banks do not or cannot provide. The profitability of ABC depends upon the continued ability of its subsidiary banks to compete in their market areas.

ABC s Articles of Incorporation and Bylaws may prevent or delay a takeover by another company.

ABC s Articles of Incorporation permit ABC s board of directors to issue preferred stock without shareowner action. The ability to issue preferred stock could discourage a company from attempting to obtain control of ABC by means of a tender offer, merger, proxy contest or otherwise. Additionally, ABC s Articles of Incorporation and Bylaws divide ABC s board of directors into three classes, as nearly equal in size as possible,

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with staggered three-year terms. One class is elected each year. The classification of ABC s board of directors could make it more difficult for a company to acquire control of ABC. ABC is also subject to certain provisions of the Georgia Business Corporation Code and ABC s Articles of Incorporation which relate to business combinations with interested shareholders.

Success of ABC depends upon local economic conditions.

ABC s success is dependent to a certain extent upon the general economic conditions in the geographic markets served by ABC s subsidiary banks, primarily including south central and southwestern Georgia, southeastern Alabama, north central Florida and the immediate surrounding areas. Adverse changes in the geographic markets that ABC s subsidiary banks serve would likely impair their ability to collect loans and could otherwise have a negative effect on the financial condition of ABC. Examples of potential unfavorable changes in economic conditions which could affect south central and southwestern Georgia, southeastern Alabama and north central Florida include, among other things, the adverse effects of weather on agricultural production and a substantial decline in agricultural commodity prices.

ABC and its subsidiary banks operate in a regulated environment.

Bank holding companies and banks operate in a highly regulated environment and are subject to the supervision and examination by several federal and state regulatory agencies. ABC is subject to The Bank Holding Company Act of 1956 and to regulation and supervision by the Federal Reserve Board. ABC s subsidiary banks are also subject to the regulation and supervision of the Federal Deposit Insurance Corporation (the FDIC), the Office of the Comptroller of the Currency (the OCC), the Georgia Department of Banking and Finance, the Alabama State Banking Department and the Florida Department of Banking and Finance. Federal and state laws and regulations govern matters ranging from the regulation of certain debt obligations, changes in control of bank holding companies and the maintenance of adequate capital for the general business operations and financial condition of ABC s subsidiary banks, including permissible types, amounts and terms of loans and investments, the amount of reserves against deposits, restrictions on dividends, establishment of branch offices, and the maximum rate of interest that may be charged by law. The Federal Reserve Board also possesses cease and desist powers over bank holding companies to prevent or remedy unsafe or unsound practices or violations of law. These and other restrictions limit the manner by which ABC and its subsidiary banks may conduct their businesses and obtain financing. Furthermore, the commercial banking business is affected not only by general economic conditions but also by the monetary policies of the Federal Reserve Board. These monetary policies have had, and are expected to continue to have, significant effects on the operating results of commercial banks. Changes in monetary or legislative policies may affect the ability of ABC s subsidiary banks to attract deposits and make loans.

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FIRST NATIONAL ANNUAL SHAREHOLDERS MEETING

Date, Time and Place

The First National annual shareholders meeting will be held at the Holiday Inn at the Jacksonville International Airport, 14670 Duval Road, Jacksonville, Florida 32218 at 6:30 p.m., local time, on December 12, 2005.

Matters to be Considered at the Annual Meeting

At the annual meeting, holders of First National stock will be asked to consider and vote upon the approval and adoption of the merger agreement and the election of 15 common directors to First National s board of directors. First National shareholders may also consider such other matters as may properly be brought before the annual meeting and may be asked to vote on a proposal to adjourn or postpone the annual meeting, which could be used to allow more time for soliciting additional votes to approve and adopt the merger agreement.

First National s board of directors has approved the merger agreement and recommends a vote for approval and adoption of the merger agreement and a vote for the election of each of the director nominees.

Record Date; Shares Outstanding; Quorum

Only shareholders of record of First National common stock at the close of business on October 28, 2005 will be entitled to notice of, and to vote at, the annual meeting. On October 28, 2005, First National had outstanding 1,016,376 shares of First National common stock. There is no other class of First National common stock outstanding. Each share of First National common stock entitles the holder to one vote. The presence at the First National annual meeting, in person or by proxy, of shareholders entitled to cast a majority of all the votes entitled to be cast at the annual meeting will constitute a quorum. There must be a quorum present in order for the vote on the merger agreement and the election of directors to occur.

Vote Required

The approval and adoption of the merger agreement will require the affirmative vote of at least a majority of the outstanding shares of First National (*i.e.,* at least 508,189 shares). The election of individuals to serve on First National s board of directors will require an affirmative vote of a plurality of the votes represented and entitled to vote at the annual meeting, meaning that the 15 nominees receiving the most votes will be elected as directors. Approval of the adjournment of the annual meeting requires the affirmative vote of a majority of the shares represented at the annual meeting, whether or not a quorum is present. As of the record date for the annual meeting, certain First National shareholders, including all of its directors, which shareholders together beneficially owned approximately 692,152 shares as of the record date, or approximately 68.1% of the outstanding First National common stock, have granted to ABC an irrevocable proxy to vote their First National common stock in favor of the approval and adoption of the merger agreement. As a result, the approval and adoption of the merger agreement by the First National shareholders is practically assured.

Voting of Proxies

All executed proxies received at or prior to the annual meeting will be voted at the meeting in the manner specified, unless the proxy is revoked prior to the vote. Properly executed proxies that do not contain voting instructions will be voted FOR the approval and adoption of the merger agreement and the director nominees recommended by management.

It is not expected that any other matter will be brought before the annual meeting. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their best judgment with respect to such matters.

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If a quorum is not obtained, the annual meeting may be adjourned for the purpose of obtaining additional proxies. At any reconvening of the meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the meeting (except for any proxies which have been revoked or withdrawn).

Effect of Abstentions and Broker Non-Votes

You may abstain from voting on the approval and adoption of the merger agreement. Abstentions will be considered shares present and entitled to vote at the annual meeting but will not be counted as votes cast at the meeting. Broker non-votes with respect to the merger agreement also will not be counted as votes cast at the meeting. Abstentions and broker non-votes will not be counted in computing a plurality and thus will have no effect on the election of directors.

Because the approval and adoption of the merger agreement requires the affirmative vote of at least a majority of all shares entitled to vote at the annual meeting, abstentions by First National shareholders and broker non-votes will have the same effect as votes against the merger agreement. Accordingly, you are urged to complete, date and sign the accompanying form of proxy card and return it promptly in the enclosed postage-paid envelope.

Revocability of Proxies

The grant of a proxy on the enclosed First National form does not preclude you from voting in person or otherwise revoking a proxy. You may revoke a proxy at any time prior to its exercise by:

- filing with the secretary of First National a duly executed revocation of proxy;
- submitting a duly executed proxy bearing a later date; or
- appearing at the annual meeting and voting in person at the meeting.

Attendance at the annual meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communications with respect to the revocation of proxies should be addressed to: Roscoe H. Mullis, First National Banc, Inc., 2509 Osborne Road, St. Marys, Georgia 31558

Solicitation of Proxies

First National will bear the cost of the solicitation of proxies from its shareholders, and ABC and First National will each bear one-half of the costs associated with printing and mailing of this proxy statement/prospectus. In addition to solicitation by mail, the directors, officers and employees of First National may solicit proxies from First National shareholders by telephone or telegram or in person without compensation other than reimbursements of their actual and reasonable expenses. First National will reimburse any custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in connection with forwarding proxy solicitation material to beneficial owners of the stock they hold.

You should not send stock certificates with your proxy cards. As described below under the section entitled Exchange of First National Stock Certificates at page 35, you will be sent under separate cover prior to the annual meeting materials for exchanging your shares of First National.

Independent Registered Accountants

For the year ended December 31, 2004, Elliott Davis LLC (Elliot Davis) served as First National s independent registered accountant. The engagement of Elliot Davis was approved by First National s board of directors and the audit committee of First National s board of directors. Representatives of Elliot Davis are not expected to be present at the annual meeting.

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THE MERGER

The following information summarizes information pertaining to the merger. The descriptions of the terms and conditions of the merger, the merger agreement and any related documents in this proxy statement/prospectus are not complete and are qualified in their entirety by the more detailed appendices to this proxy statement/prospectus which are incorporated by reference, including the merger agreement attached as APPENDIX A. We urge you to read the appendices in their entirety.

Overview

If the First National shareholders approve and adopt the merger agreement and the other conditions to the consummation of the merger are satisfied, ABC will acquire First National pursuant to the merger of First National with and into ABC. ABC will exchange cash and shares of its common stock, plus cash instead of any fractional share, for each outstanding share of First National common stock as to which appraisal rights have not been exercised and perfected (other than treasury shares and shares held by ABC or First National or their subsidiaries, all of which will be cancelled in the merger). Each share of ABC common stock issued and outstanding immediately prior to the effective time of the merger will remain issued and outstanding and unchanged as a result of the merger.

Background of the Merger

During the past several years, there has been a trend toward consolidation in the banking industry. This trend has enabled participants in business combinations to benefit from the economies of scale and greater efficiencies resulting from the shared services, technology and purchasing power of the combined entities. Banks have increasingly sought suitable acquisition candidates as a means of utilizing excess capital and obtaining the benefits described above.

Since 1994, ABC has been reviewing and analyzing possible acquisition opportunities in the southern Georgia, southeastern Alabama and north central Florida areas. ABC s strategic plan has been to enhance shareholder value by creating a larger organization in such areas. ABC s goal has been to provide broader and more comprehensive services to its customers, to create efficiencies in the administration and service functions and to provide a larger shareholder base with a more liquid security trading in a national market.

In exercising their fiduciary duty to shareholders, First National s management and board of directors have from time to time considered the possibility of a number of strategic options in evaluating ways to maximize the value of its common stock, to provide liquidity for shareholders, and to diversify First National s exposure to a limited market. As a result of the death of First National s chairman of the board of directors and largest shareholder in December 2004, First National s board of directors began to consider future strategic alternatives, including raising additional capital to fund continued growth, slowing company growth rather than raising capital, or pursuing a merger partner with adequate capital to fund expected growth and a possible expansion of branch locations. First National s board of directors was compelled to consider these strategic alternatives as a result of the void in its strategic vision which resulted from the death of First National s chairman and as a result of the change in the chairman s family s financial planning orientation as the administration of his estate proceeded.

In February 2005, a representative of a Georgia-based community banking organization approached First National s board of directors to discuss the possibility of pursuing a business combination transaction. First National s board of directors authorized this potential acquiror to conduct an on-site due diligence investigation of First National to determine whether, and on what terms, a business combination might be possible. During the investigation, the potential acquirer expressed concern over problem loans identified in St. Marys loan portfolio, and the parties decided to postpone any further discussion until the regularly scheduled OCC examination of that bank was completed.

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The OCC examination began in March 2005, during the course of which the OCC discovered significant deficiencies in St. Marys loan portfolio, which resulted primarily from the unsound lending practices of David Moffat, the then-president and chief executive officer of First National and St. Marys. Mr. Moffat resigned all positions with First National and each of its banks on March 21, 2005. Primarily as a result of the loans deficiencies, the OCC rated the overall condition of St. Marys as unsatisfactory and designated the bank as being in troubled condition as defined under Section 914 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. Following the discovery of these loan deficiencies, the potential acquirer indicated that it was no longer interested in pursuing a business combination with First National.

The OCC s findings resulted in an increased charge to First National s provision for loan losses of approximately $7.2 million in the consolidated financial statements for the year ended December 31, 2004 and the charge-off of additional loans against the allowance of approximately $6.0 million in the consolidated financial statements for the year ended December 31, 2004. During the first quarter of 2005, additional loans of approximately $2.5 million were charged-off against the allowance in the consolidated financial statements for the three months ended March 31, 2005. The significant loan losses had a negative impact on asset quality, capital adequacy, earnings and liquidity.

Following completion of the OCC examination, on April 28, 2005, First National s board of directors reviewed the possible alternatives of raising additional capital or pursuing a business combination with another financial institution. During the first week of May 2005, First National s board of directors held meetings with representatives of the following investment banking firms: Ewing, SunTrust and Stevens & Associates. Stevens & Associates brought Edwin Hortman, Chief Executive Officer of ABC, and Dennis Zember Jr., Chief Financial Officer of ABC, to the meeting with First National s board of directors. At the meeting, Messrs. Hortman and Zember discussed with First National s board of directors the potential benefits of, and synergies which may result from, a business combination between ABC and First National, including that ABC s commitment to developing a banking presence in coastal Georgia and northern Florida is compatible with First National s operations, that ABC s experienced team of bankers would be valuable in efforts to improve the quality of St. Mary s loan portfolio, and that ABC s capital position may facilitate the development of banking locations in Orange Park and greater Jacksonville. At the conclusion of the meeting, ABC indicated to First National s board of directors that ABC would be interested in further discussing an acquisition of First National.

On May 10, 2005, ABC s board of directors engaged SunTrust to act as ABC s financial advisor in connection with the proposed merger.

On May 12, 2005, First National s board of directors engaged Ewing as its exclusive agent to provide financial advisory services in connection with a sale of, or merger transaction involving, First National, and to provide a market valuation and fairness opinion in connection therewith. After considering the presentation by Messrs. Hortman and Zember, First National s board of directors also agreed to permit ABC to begin a preliminary due diligence review of First National and its business while Ewing prepared and distributed to interested parties financial and operating information relating to First National.

During the second week of May 2005, ABC began its preliminary due diligence review of First National and its business, including First National s loan portfolios, loan concentrations, credit risks, legal liabilities, staff resources, corporate structure and operational efficiencies. Concurrently with ABC s preliminary due diligence review, Ewing contacted 11 financial institutions regarding their interest in a business combination with First National. In connection with such contacts, Ewing distributed financial and operating information relating to First National to these institutions, all of which had previously executed non-disclosure agreements. In addition to the information ABC received in connection with its preliminary due diligence review of First National, ABC also received all of the information relating to First National distributed by Ewing. The information received by ABC was examined and analyzed by ABC s executive management team prior to May 17, 2005. Based upon the results of the preliminary due diligence review, Messrs. Hortman and Zember discussed with ABC s board of directors at a meeting held on May 17, 2005 a possible business combination between ABC and First National.

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First National received indications of interest from four of the 11 financial institutions, including ABC, all of which conducted on-site due diligence reviews of First National. ABC s management team conducted its on-site due diligence review of First National during the second week of May 2005. During this on-site review, ABC s management team met with Timothy O Keefe, First National s President, Yong Kim, First National s Chief Financial Officer and other members of First National s management and discussed, among other things, First National s credit quality and the consistency and nature of First National s earnings.

From May 15, 2005 through the last week of June 2005, Messrs. Hortman and Zember met, either in person or telephonically, with Mr. O Keefe to continue ABC s due diligence review of First National. Representatives of Ewing participated in most of these meetings.

From May 15, 2005 through June 10, 2005, Messrs. Hortman, Zember and O Keefe negotiated a non-binding letter of intent regarding the proposed merger, which was signed on June 10, 2005. Between June 10 and June 29, 2005, Messrs. Zember, Hortman and O Keefe negotiated the terms of a definitive merger agreement. Legal counsel for ABC and First National also participated in these negotiations. Throughout the process of negotiating the definitive merger agreement, Rogers & Hardin LLP, ABC s legal counsel, reviewed with ABC s management its legal and fiduciary duties in connection with the proposed merger and discussed the terms of the merger agreement in detail.

On June 21, 2005, Messrs. Hortman and Zember and Jon S. Edwards, ABC s Executive Vice President and Senior Credit Officer, reviewed the results of ABC s due diligence review of First National with ABC s board of directors and discussed with ABC s board of directors the proposed merger and the terms of the proposed merger agreement.

On June 30, 2005, the board of directors of First National met to consider the proposed merger with ABC. A representative of Smith, Gambrell & Russell, LLP, First National s legal counsel, reviewed the fiduciary obligations of the First National board of directors with respect to the transaction and reviewed the legal terms of the definitive agreement. Representatives of Ewing summarized certain financial information with respect to the proposed transaction and rendered an opinion that, as of June 30, 2005, the merger consideration was fair to the shareholders of First National, from a financial point of view. After a general question and discussion period among the members of the board of directors, management, and their financial and legal advisers, First National s board of directors voted to approve the merger agreement and the transactions contemplated thereby.

On July 1, 2005, SunTrust reviewed with ABC s board of directors SunTrust s financial analysis of the proposed merger and delivered its written opinion, dated June 29, 2005, to the effect that, as of that date and based upon and subject to the matters described in the opinion, the total consideration in the proposed merger was fair, from a financial point of view, to ABC. After a general discussion period, ABC s board of directors approved the merger, approved and ratified the merger agreement and related documents and determined that the merger and the merger agreement were advisable and fair to, and in the best interests of, ABC and the ABC shareholders.

In early September 2005, ABC s management determined that because of St. Marys financial condition and related regulatory and compliance issues, it would be in the best interests of ABC from a regulatory standpoint to merge only one of St. Marys or Orange Park, instead of both, into The First Bank of Brunswick or another wholly-owned subsidiary of ABC upon completion of the merger of First National with ABC. In early October 2005, ABC s management proposed this revised structure for the subsidiary bank merger to First National s management. An amendment to the merger agreement which reflects this revised structure was approved and adopted by ABC s board of directors at a meeting held on October 18, 2005 and by First National s board of directors by unanimous written consent effective as of October 20, 2005. On October 28, 2005, all of the parties to the merger agreement executed and delivered the amendment to the merger agreement.

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REASONS FOR THE MERGER

ABC s Reasons for the Merger

In deciding whether to enter into the merger agreement, ABC s board of directors, with the assistance of outside legal and financial advisors, considered a number of factors, including the following:

- the financial condition, operating results, current business and future prospects of ABC and First National;
- a comparison of the terms of the proposed merger with comparable transactions, both in the southeastern United States and elsewhere;
- the quality of First National s management and its extensive experience in the coastal Georgia and north central Florida markets;
- the fact that the merger provides ABC with a natural extension of its presence in north central Florida and coastal Georgia;
- the complementary nature of the business of ABC and First National, particularly each organization s emphasis on traditional community banking; and
- the opinion rendered by SunTrust to ABC s board of directors that, as of June 29, 2005, the merger consideration to be paid by ABC in the proposed merger was fair to ABC from a financial point of view.

In approving the transaction, ABC s board of directors did not specifically identify any one factor or group of factors as being more significant than any other factor in the decision making process, although individual directors may have given one or more factors more weight than other factors.

First National s Reasons for the Merger

First National s board of directors, with the assistance of outside financial and legal advisors, evaluated the financial, legal and market considerations bearing on the decision to recommend the merger. The terms of the merger, including the aggregate merger consideration to be received for the shares of First National common stock, resulted from arm s-length negotiations between representatives of First National and ABC. In reaching its conclusion that the merger agreement is in the best interest of First National and its shareholders, First National s board of directors considered, without assigning any relative or specific values, a number of factors, including the following:

- the fact that the ABC common stock is traded on The Nasdaq National Market and has enjoyed a consistent dividend payout;

alternatives to the merger, including continuing to operate First National on a stand-alone basis, considering the breadth of its product line, economic conditions and the prospects for community banking and competition in the financial services area;

the merger consideration to be received in the proposed merger, including the fact that although the cash received generally will be taxable, the First National shareholders will not recognize any gain or loss for federal income tax purposes on the receipt of ABC common stock in the merger;

a comparison of the terms of the proposed merger with comparable transactions, both in the southeastern United States and elsewhere;

information concerning the business, financial condition, results of operations and prospects of First National and ABC;

competitive factors and trends toward consolidation in the banking industry;

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the social and economic effect of the merger on First National and its employees, depositors and other customers, creditors and other constituencies of the communities in which First National is located;

the regulatory environment for financial institutions generally; and

the opinion rendered by Ewing to First National s board of directors that, as of June 30, 2005, the merger consideration to be received in the proposed merger was fair, from a financial point of view, to the holders of First National common stock.

First National s board of directors believes that by becoming part of a larger organization with greater resources, First National will be able to serve its customers and communities better and to provide services that will be competitive in the combined company s market and elsewhere. Similarly, a larger organization will be able to provide greater career opportunities for First National s employees.

First National s board of directors also considered the separate agreements and benefits proposed for employees and management and concluded that those terms were reasonable. See the section entitled Interests of First National s Directors and Executive Officers in the Merger at page 54.

The foregoing discussion of the information and factors considered by First National s board of directors is not intended to be exhaustive. First National s board of directors did not assign any relative or specific weights to the foregoing factors, and individual directors may have given different weights to different factors. First National s board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members, in light of the factors that each of them considered appropriate, that the merger is in the best interest of First National s shareholders.

First National s board of directors believes that the terms of the merger are in the best interest of First National and its shareholders and has approved the merger agreement. First National s board of directors recommends that the shareholders of First National approve and adopt the merger agreement.

OPINION OF FINANCIAL ADVISOR TO FIRST NATIONAL

Introduction

On May 12, 2005, First National s board of directors retained Ewing to market First National to a list of bank holding companies proposed by Ewing and approved by First National s board of directors and to act as First National s financial advisor and to render a fairness opinion in connection with any proposed sale or merger transaction because Ewing is a nationally recognized investment banking firm with substantial experiences in transactions similar to the merger. This marketing program facilitated the negotiations between First National and ABC, which resulted in the parties executing the merger agreement. On June 9, 2005, Ewing rendered its oral opinion to First National s board of directors that the merger consideration was fair, from a financial point of view, to First National shareholders, and issued its written opinion, dated June 30, 2005, to First National s board of directors to the same effect. In addition to having paid Ewing a retainer in the amount of $15,000, First National has agreed to pay Ewing a fee of $50,000 for the delivery of its fairness opinion. In addition, First National has agreed to pay Ewing a financial advisory fee at the closing of the proposed merger equal to 1.0% of the aggregate consideration to be paid pursuant to the proposed merger, less amounts previously received. In addition, Ewing Loan Advisors, Inc., an affiliate of Ewing, provides loan review services to St.

Marys and has received compensation of approximately $60,000 for such services.

No limitations were imposed by First National s board of directors on the scope of Ewing s analysis or the procedures followed by Ewing in rendering its opinion. Ewing s opinion is directed to First National s board of directors and does not constitute a recommendation to any First National shareholder as to how such shareholder should vote on the merger agreement. Ewing has not been requested to opine as to, and its opinion does not address, the underlying business decision by First National s board of directors to enter into the merger agreement.

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In arriving at its opinion, Ewing assumed and relied upon the accuracy and completeness of the financial and other information provided to Ewing by First National. Ewing made no independent verification of the assets and liabilities of First National. The opinion is based upon market and economic conditions existing on June 30, 2005. Events occurring after the date of Ewing s opinion including, but not limited to, changes in the market price of securities, First National s results of operations, or material changes in the value of the assets or liabilities of First National, could affect the assumptions underlying, and the conclusions stated in, Ewing s opinion. After June 30, 2005, the merger agreement was amended to reflect the revised structure for the bank subsidiary merger as described under The Merger Background of the Merger. First National did not request that Ewing update, revise or reaffirm its opinion on any date subsequent to June 30, 2005 because the amendment to the merger agreement does not alter the merger consideration to be received by the First National shareholders in the merger. Accordingly, Ewing s opinion does not address the amendment to the merger agreement.

Ewing s opinion is attached as APPENDIX C to this proxy statement/prospectus and is incorporated herein by reference. The description of the opinion set forth herein is qualified in its entirety by reference to APPENDIX C. First National shareholders are urged to read Ewing s opinion in its entirety.

In arriving at its opinion, Ewing reviewed:

- the merger agreement and the exhibits thereto;
- First National s audited consolidated financial statements for the year ended December 31, 2004;
- historical financial information relating to First National;
- First National s internally prepared consolidated financial projections for the years ending December 31, 2005, December 31, 2006 and December 31, 2007;
- ABC s audited consolidated financial statements for the year ended December 31, 2004 and unaudited consolidated financial statements for the quarter ended March 31, 2005;
- historical financial information relating to ABC that Ewing deemed relevant;
- the trading history of the ABC common stock from June 2003 to June 2005;
- financial and market information relating to publicly traded commercial banking companies similar to ABC;
- a comparison of the financial terms of recent business combinations in the commercial banking industry similar to the proposed merger with the financial terms of the proposed merger;
- current market and banking environments; and

such other information, financial studies, analyses, inquiries and other matters that Ewing deemed relevant.

Ewing also held discussions with the management of First National concerning its historical and future operations and the decision of First National s board of directors to negotiate a transaction with ABC.

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Analysis of Comparable Companies

In preparing fairness opinions involving business combination transactions in the banking industry, it is accepted procedure to compare the terms of the subject transaction with the terms of transactions involving similar banking companies. This methodology of determining the fairness of a transaction is accepted because the banking industry is highly regulated, the operations of individual banks tend to be similar, and banks generally have standardized accounting and reporting procedures.

Ewing reviewed selected data from business combination transactions involving banking institutions similar to First National in size, geographic location and operations. Ewing selected fourteen transactions that had occurred since January 1, 2003 involving profitable banks with assets between $200 million and $300 million located in Florida and Georgia. The target banking institutions in these transactions were similar in size to First National, were adequately capitalized, enjoyed moderate annual growth in assets and reflected a high quality of earning assets. The fourteen transactions Ewing selected are set forth below:

Acquiring Institution	Target Institution
South Georgia Bank Holding Company, Georgia	Community National Bancorporation, Georgia
Coastal Banking Company, Inc., South Carolina	First Capital Bank Holding Corporation, Florida
First Horizon National Corporation, Tennessee	West Metro Financial Services, Inc., Georgia
Capital City Bank Group, Inc., Florida	First Alachua Banking Corporation, Florida
Home Bancshares, Inc., Arkansas	Marine Bancorp, Inc., Florida
Security Bank Corporation, Georgia	SouthBank, Georgia
Seacoast Banking Corporation of Florida, Florida	Century National Bank, Florida
GB&T Bancshares, Inc., Georgia	FNBG Bancshares, Inc., Georgia
Fidelity Bankshares, Inc., Florida	First Community Bancorp, Inc., Florida
United Community Banks, Inc., Georgia	Liberty National Bancshares, Inc., Georgia
Whitney Holding Corporation, Louisiana	Madison Bancshares, Inc., Florida
United Community Banks, Inc., Georgia	Fairbanco Holding Company, Inc., Georgia
Citizens Banking Corporation, Florida	American Banking Corporation, Florida
Capital City Bank Group, Inc., Florida	Quincy State Bank, Florida

Due to First National s net losses in 2004 and 2005, which resulted from the significant loan charge-offs by St. Marys, First National s regulatory capital was diminished at the time the merger agreement was executed. As a result of these losses and diminished capital, the operations of First National were not comparable to the profitable operations of the larger banking institutions in the fourteen selected transactions, and the terms of the proposed merger were not comparable to the terms of such transactions. Ewing then selected an additional ten transactions that had occurred since January 1, 2003 involving the acquisition of Southeastern community banking institutions with operating losses. The additional ten transactions are set forth below:

Acquiring Institution	Target Institution
Omni Financial Services, Inc., Georgia	Georgia Community Bancshares, Inc., Georgia
Investor Group	BankTennessee, Tennessee
Firstrust Corporation, Louisiana	Central Bank for Savings, Mississippi
Mountain Home Bancshares, Inc., Arkansas	Pocahontas Bankstock, Inc., Arkansas
GB&T Bancshares, Inc., Georgia	Lumpkin County Bank, Georgia
Liberty Bancshares, Inc., Arkansas	Peoples Bank, Arkansas

Community Capital Bancshares, Inc., Georgia	First Bank of Dothan, Alabama
Liberty Shares, Incorporated, Georgia	Cumberland National Bank, Georgia
Investor Group, Florida	Advantage Bankshares, Inc., Florida
Crescent Financial Corp., North Carolina	Centennial Bank, North Carolina

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The reasons for the losses at these institutions varied widely, and Ewing determined that the use of these transactions as comparables would be speculative. In view of the lack of comparability between the terms of the proposed merger of First National into ABC and the terms of the selected transactions, Ewing based its opinion as to the fairness of the proposed merger consideration on the marketing process that was utilized by First National and the terms offered by ABC.

The Marketing of First National

In order to achieve optimum terms in the sale/merger of First National, Ewing utilized a controlled marketing procedure whereby it contacted multiple, qualified institutions to consider the acquisition of First National. The controlled marketing of First National was implemented in order to provide First National s board of directors with the assurance that the opportunity represented by the proposed sale/merger of First National was considered by a multiple of qualified parties and that the resulting competitive environment encouraged interested acquirers to offer their best terms.

Ewing contacted eleven bank holding companies, including ABC, of which seven expressed interest in reviewing the confidential memorandum prepared by Ewing and First National with respect to the operations of First National. Several of the bank holding companies chose not to pursue the acquisition of First National because of their concerns that the loss reserves of St. Marys were not adequate or their lack of comfort with respect to when St. Marys may return to profitability. Expressions of interest, including price ranges for First National, were received from four of the bank holding companies, and three of them, including ABC, performed various degrees of on-site due diligence.

Primary Terms of the ABC Offer

The primary terms proposed by ABC with respect to the merger consist of the following:

Amount of Consideration. ABC proposes to pay the sum of approximately $34.5 million for 100% of the outstanding shares of First National common stock, which represents a per share price of $34.00. In addition, ABC will pay the in-the-money value for the 21,214 options to purchase First National common stock that were outstanding as of March 31, 2005, which represents additional consideration of approximately $258,000 and brings the total consideration to be paid by ABC in connection with the merger to approximately $34.8 million.

Type of Consideration. First National shareholders will be given the opportunity to request payment for their First National shares in the form of 100% cash or 100% stock, or a combination thereof, but the maximum market value of the shares of ABC common stock to be issued cannot exceed 65% of the total value of the consideration, excluding the in-the-money value of the First National stock options.

Rights to Terminate. In addition to the standard provisions governing the right to terminate the merger agreement, First National will have the right to terminate the merger agreement if the average closing price of the ABC common stock during the trading period is less than $14.00 per share.

Closing Date. The merger must close prior to December 31, 2005, or the merger agreement can be terminated by ABC or First National.

Temporary Financing. ABC has agreed to provide temporary financing in the form of a subordinated loan to First National, if needed, prior to the completion of the merger in order to comply with regulatory capital requirements.

Net Worth Requirement. As a condition to the closing of the merger by ABC, First National and Orange Park must maintain minimum tangible capital in the amounts of $14,239,000 and $8,350,000, respectively, with each calculated as of two business days prior to the completion of the merger.

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Employees and Management. ABC plans to enter into employment agreements with certain senior members of First National s management, and ABC has stated that it plans to retain a substantial number of employees subsequent to the merger.

Other Considerations

Ewing observed that there appeared to be a high level of compatibility between the staff and operations of First National and ABC. Ewing also observed that the market value of ABC common stock represented a level commensurate with ABC s peers and that the projected future operations of ABC appear to be favorable. Ewing further observed that the acquisition of First National was consistent with ABC s stated objectives of extending ABC s banking markets to northeast Florida and southeastern Georgia.

Opinion

Because First National s board of directors decided to market First National aggressively to multiple institutions and based on Ewing s experience of more than thirty years in issuing fairness opinions involving business combination transactions in the banking industry, Ewing concluded that the terms offered by ABC with respect to the merger were negotiated in a competitive environment and that the proposed merger consideration offered by ABC for 100% of the shares of First National is fair, from a financial point of view, to First National shareholders.

The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and is not readily susceptible to summary description. In arriving at its opinion, Ewing did not attribute any particular weight to any one factor considered by Ewing, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Ewing believes that its analysis must be considered as a whole and that considering any portions of such analysis and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying its opinion. In its analysis, Ewing made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond First National s control. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth therein. As described above, Ewing s opinion was one of many factors taken into consideration by First National s board of directors in entering into the merger agreement.

OPINION OF FINANCIAL ADVISOR TO ABC

ABC has engaged SunTrust as its financial advisor in connection with the merger. At the July 1, 2005 meeting of ABC s board of directors, SunTrust reviewed with ABC s board of directors SunTrust s financial analysis of the proposed merger and delivered SunTrust s written opinion, dated June 29, 2005, to the effect that, as of that date and based upon and subject to the matters described in the opinion, the total consideration in the proposed merger was fair, from a financial point of view, to ABC. No limitations were imposed by ABC s board of directors upon SunTrust with respect to the investigation made or the procedures followed by SunTrust in rendering its opinion. The consideration to be paid by ABC in the merger was determined through arm s-length negotiations between representatives of ABC and First National.

The full text of the opinion of SunTrust, which sets forth the assumptions made, matters considered and limitations on the review undertaken, is attached as APPENDIX D to this proxy statement prospectus and is incorporated herein by reference. The summary of the SunTrust opinion described below is qualified in its entirety by reference to the full text of the opinion.

SunTrust s opinion is directed to ABC s board of directors and relates only to the fairness from a financial point of view of the total consideration paid by ABC. SunTrust s opinion does not address any other aspect of the merger.

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Material and Information Considered with Respect to the Merger

In arriving at its opinion, SunTrust among other things:

- reviewed a draft of the merger agreement;
- reviewed publicly available information concerning ABC and First National which SunTrust believes to be relevant to its inquiry;
- reviewed financial and operating information with respect to the business, operations and prospects of First National furnished to SunTrust by ABC and First National;
- reviewed a comparison of the historical financial results and present financial condition of First National with those of publicly traded companies which SunTrust deemed relevant;
- reviewed a comparison of the financial terms of the proposed merger with the publicly available financial terms of certain other recent transactions which SunTrust deemed relevant;
- conducted discussions with the management of ABC and First National concerning First National s business, operations, assets, present condition and future prospects; and
- undertook such other studies, analyses and investigations, and considered such information, as SunTrust deemed appropriate.

In connection with rendering its opinion, SunTrust did not consider the amendment to the merger agreement, which was entered into after the date of SunTrust s opinion. ABC did not request that SunTrust update, revise or reaffirm its opinion on any date subsequent to June 29, 2005 because the amendment to the merger agreement does not alter the merger consideration to be paid by ABC in the merger.

SunTrust assumed and relied upon, without independent verification, the accuracy and completeness of all of the financial and other information discussed with or reviewed by it in arriving at its opinion. With respect to the financial forecasts, estimates, pro forma effects and estimates of synergies and other potential benefits of the merger provided to or discussed with it, SunTrust assumed, at the direction of the management of ABC and without independent verification or investigation, that they have been reasonably prepared on bases reflecting the best currently available information, estimates and judgments of the management of ABC and First National and are otherwise reasonable. SunTrust also assumed with the approval of ABC that the future financial results of First National referred to in its opinion that were provided to it by ABC will be achieved, and that the synergies and other potential benefits of the merger will be realized, at the times and in the amounts estimated by the management of ABC.

In arriving at its opinion, SunTrust did not conduct a physical inspection of the properties and facilities of First National. SunTrust did not review individual credit files nor did it make any independent evaluation or appraisal of any of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets or liabilities) of First National or any of its subsidiaries, and SunTrust was not furnished with any such evaluation or appraisal. SunTrust is not an expert in the evaluation of loan and lease portfolios for purposes of assessing the adequacy of the allowances for losses with respect to such portfolios and, accordingly, SunTrust assumed that First National s allowances for losses are in the aggregate adequate to cover those losses.

The SunTrust opinion is necessarily based upon market, economic and other conditions as they existed on and could be evaluated as of, the date of its opinion. SunTrust expressed no opinion as to the underlying valuation, future performance or long-term viability of ABC or First National. SunTrust s opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available to ABC s underlying business decision to effect the merger. SunTrust was not asked to, nor did it, offer

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any opinion as to any terms or conditions of the merger agreement or the form of the merger (other than the total consideration). For purposes of its opinion, SunTrust assumed that:

- the merger agreement does not differ in any respect from the draft it examined and that ABC and First National will comply in all material respects with the terms of the reorganization agreement and the transaction will be consummated in accordance with its terms without waiver, modification or amendment of any material term, condition or agreement;
- the merger will be treated as a tax-free reorganization for federal income tax purposes; and
- all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on ABC or First National or on the expected benefits of the merger.

Subsequent developments may affect SunTrust s opinion and SunTrust does not have any obligation to update or revise its opinion.

In preparing its opinion, SunTrust performed a variety of financial and comparative analyses, a summary of which is described below. The summary is not a complete description of the analyses underlying SunTrust s opinion or the presentation made to ABC s board of directors, but summarizes the material analyses performed and presented in connection with its opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, is not readily susceptible to summary description. Accordingly, SunTrust believes that its analyses must be considered as an integrated whole and that selecting portions of its analyses and factors, without considering all analyses and factors, or focusing on information in tabular format, could create a misleading or incomplete view of the processes underlying such analyses and SunTrust s opinion.

In performing its analyses, SunTrust made numerous assumptions with respect to ABC, First National, industry performance and general business, economic, market and financial conditions, many of which are beyond the control of ABC and First National. The estimates contained in these analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty.

SunTrust s opinion and analyses were only one of many factors considered by ABC s board of directors in its evaluation of the merger and should not be viewed as determinative of the views of ABC s board of directors or management of First National with respect to the merger or the consideration to be paid by ABC in the merger. The merger consideration was determined on the basis of negotiations between ABC and First National. In arriving at its opinion, SunTrust did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative) supported or failed to support its opinion. Rather, SunTrust arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole and believes that the totality of the factors considered and analysis it performed in connection with its opinion operated collectively to support its determination as to the fairness of the merger consideration from a financial point of view. ABC s decision to enter into the merger was made solely by ABC s board of directors and not as a result of a recommendation by SunTrust.

The following is a summary of the material financial and comparative analyses presented by SunTrust in connection with its opinion to ABC s board of directors. The summary includes information presented in a tabular format. In order to understand fully the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.

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Analysis of Selected Publicly-Traded Reference Companies

SunTrust reviewed and compared publicly available financial data, market information and trading multiples for First National with other selected publicly-traded banks and thrifts located in the Southeastern United States that SunTrust deemed relevant to First National. The selected banks and thrifts are set forth below:

Bank of South Carolina (BKSC)
BancTrust Financial Group, Inc. (BTFG)
Beach First National Bancshares, Inc. (BFNB)
CenterState Banks of Florida, Inc. (CSFL)
GB&T Bancshares, Inc. (GBTB)
SCBT Financial Corporation (SCBT)
TIB Financial Corp. (TIBB)
Savannah Bancorp, Inc. (SAVB)

For the selected publicly-traded reference companies, SunTrust analyzed, among other things, stock price as a multiple of projected calendar year 2005 and 2006 earnings per share, book value per share, tangible book value per share and market capitalization to assets. All multiples were based on closing stock prices as of June 30, 2005. Projected earnings per share for the reference companies were based on First Call consensus estimates. First Call is an information provider that publishes a compilation of estimates of projected financial performance for publicly-traded companies produced by equity research analysts at leading investment banking firms. The following tables set forth the median multiples indicated by the market analysis of selected publicly-traded reference companies compared to multiples based upon the aggregate consideration set forth above:

	Peer Median	Merger
Market Price to:		
Calendar 2005E EPS	18.9x	NMx
Calendar 2006E EPS	15.9	19.5
Book Value [1]		
Per Share	2.2	2.3
Tangible Book Value Per Share [1]	2.2	2.7
Market Capitalization / Assets [1]	17.6%	13.2%

[1] As of March 31, 2005.

SunTrust noted that none of the companies used in the market analysis of selected publicly-traded companies was identical to First National and that, accordingly, the analysis necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies reviewed and other factors that would affect the market values of the selected publicly-traded companies.

Analysis of Selected Merger and Acquisition Transactions

SunTrust reviewed and analyzed the financial terms, to the extent publicly available and deemed relevant by SunTrust, for all completed and pending mergers and acquisitions involving selling banks and thrifts that met the following criteria:

Selling banks and thrifts located in the Southeastern United States with total assets of between $100.0 million and $500.0 million that were announced between January 1, 2003 and June 30, 2005. The universe included 54 reference transactions.

Selling banks and thrifts located in the Southeastern United States near coastlines with total assets of between $100.0 million and $500.0 million that were announced between January 1, 2003 and June 30, 2005. The universe included 16 reference transactions.

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Selling banks and thrifts located in the Southeastern United States near coastlines excluding the state of Florida with total assets of between $100.0 million and $500.0 million that were announced between January 1, 2003 and June 30, 2005. The universe included four reference transactions.

For the selected transactions, SunTrust analyzed, among other things, acquisition price as a multiple of latest twelve months earnings per share, book value per share, tangible book value per share, total assets and premium to deposits. All multiples for the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. The following tables set forth the median multiples indicated by this analysis compared to multiples based upon the aggregate consideration set forth above:

	Southeastern U.S. Transactions Median	Merger
Market Price to:		
LTM EPS [1]	26.3x	NMx
Book Value Per Share [1]	2.6	2.2
Tangible Book Value [1]		
Per Share [1]	2.6	2.7
Total Assets [1]	21.9%	13.2%
Premium/Deposits [1]	20.2	10.1

	Southeastern U.S. Coastal Transactions Median	Merger
Market Price to:		
LTM EPS [1]	28.7x	NMx
Book Value Per Share [1]	3.1	2.2
Tangible Book Value [1]		
Per Share [1]	3.2	2.7
Total Assets [1]	24.7%	13.2%
Premium/Deposits [1]	28.0	10.1

	Southeastern U.S. Coastal Transactions Excl. Florida Median	Merger
Market Price to:		
LTM EPS [1]	27.2x	NMx
Book Value Per Share [1]	3.1	2.2
Tangible Book Value [1]		
Per Share [1]	3.3	2.7
Total Assets [1]	22.5%	13.2%
Premium/Deposits [1]	35.9	10.1

[1] As of March 31, 2005.

SunTrust noted that no transaction considered in the analysis of selected merger and acquisition transactions is identical to the merger and may differ significantly from the merger based on, among other things, the size of the transactions, the structure of the transactions and the dates that the transactions were announced and consummated. All multiples for the selected transactions were based on public information available at the time of announcement of such transaction, without taking into account differing market and other conditions during the period during which the selected transactions occurred.

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Dividend Discount Analysis

SunTrust performed a dividend discount analysis based upon projections for First National provided by ABC s management for the fiscal years ending December 31, 2005 through 2009 to estimate the net present equity value per share of First National. SunTrust discounted 4.5 years of estimated cash flows for First National, assuming a dividend rate sufficient to maintain an equity capital ratio (defined as equity divided by assets) of 7.00% and using a range of discount rates from 6% to 10%. In order to derive the terminal value of First National s earnings stream beyond 2009, SunTrust assumed terminal value multiples of fiscal year 2010 net income ranging from 16.0x to 18.0x. The present value of this terminal amount was then calculated based on the range of discount rates mentioned above. These rates and values were chosen to reflect different assumptions regarding the required rates of return of holders or prospective buyers of First National common stock. This analysis yielded a range of stand-alone aggregate values for First National of between $36.0 million and $46.9 million, with a median value of $41.1 million.

Information Regarding SunTrust

ABC s board of directors selected SunTrust to act as its financial advisor and render a fairness opinion regarding the merger because SunTrust is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and because it is familiar with ABC, its business and its industry. SunTrust is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, secondary distributions of listed and unlisted securities and private placements.

Pursuant to a letter agreement dated May 6, 2005, ABC paid SunTrust a fee of $50,000 upon the delivery of its opinion. In addition, ABC has agreed to pay SunTrust a financial advisory fee at closing of the proposed merger equal to 0.50% of the aggregate consideration to be paid pursuant to the proposed merger, less amounts previously received. The fees paid or payable to SunTrust are not contingent upon the contents of the opinion delivered. In addition, ABC has agreed to reimburse SunTrust for its reasonable out of pocket expenses and to indemnify SunTrust and certain related persons against certain liabilities arising out of or in conjunction with its rendering of services under its engagement, including certain liabilities under the federal securities laws. In the ordinary course of its business, SunTrust and its affiliates may actively trade in the debt and equity securities of ABC for its own account and the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, SunTrust and its affiliates (including SunTrust Banks, Inc.) may have other financing and business relationships with ABC or First National in the ordinary course of business.

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EXCHANGE OF FIRST NATIONAL STOCK CERTIFICATES

Prior to the annual meeting, a letter of transmittal furnishing instructions for exchanging First National stock certificates (and for replacing any lost, stolen or destroyed certificates) will be mailed under separate cover to each First National shareholder of record as of the close of business on the effective date of the merger. Each First National shareholder will be urged to return this letter of transmittal, as soon as possible, together with his or her stock certificates to SunTrust Bank, Atlanta, the exchange agent for ABC. As soon as practicable after the completion of the merger and receipt by the exchange agent of your First National stock certificates, you will be mailed the cash and ABC common stock (including cash for any fractional share interest or dividends or distributions) to which you are entitled pursuant to the merger agreement.

As of the effective date of the merger, each First National stock certificate will be deemed for all corporate purposes only to evidence the right to receive cash and certificates representing shares of ABC common stock pursuant to the merger agreement. Until the merger is completed and your First National stock certificate is surrendered (or suitable arrangements made for any lost, stolen or destroyed certificate) you:

- will not be issued a certificate representing the shares of ABC common stock which you are otherwise entitled to receive;
- will not be paid the cash which you are otherwise entitled to receive; and
- will not be paid dividends or other distributions in respect of the shares of ABC common stock which you are otherwise entitled to receive.

Any dividends or distributions or other cash payable to you will be retained, without interest, for your account until the completion of the merger and you surrender your stock certificate in accordance with the letter of transmittal.

If any certificates for shares of ABC common stock are to be issued in a name other than that for which a First National share certificate surrendered or exchanged is issued, then the First National share certificate so surrendered must be properly endorsed and otherwise in proper form for transfer, and the person requesting the exchange must affix any requisite stock transfer tax stamps to such certificate surrendered, provide funds for their purchase, or establish to the satisfaction of the exchange agent that such taxes are not payable.

To the extent permitted by law, former First National shareholders will be entitled to vote after the effective time of the merger at any meeting of ABC shareholders the number of shares of ABC common stock into which their First National stock are converted, regardless of whether they have exchanged certificates representing their First National stock for certificates representing ABC common stock.

There will be no transfers of shares of First National common stock on First National s stock transfer books after the effective time of the merger. First National common stock certificates presented for transfer after the effective time of the merger will be canceled and exchanged for cash and shares of ABC common stock certificates.

Existing ABC shareholders will keep their existing stock certificates and should not deliver any certificates for ABC common stock.

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EFFECTIVE TIME OF THE MERGER

The merger will be consummated if it is approved by the shareholders of First National and if ABC and First National obtain all required consents and approvals, including the approvals of the Federal Reserve Board and the Georgia Department of Banking and Finance, and satisfy the other conditions to the obligations of the parties to consummate the merger. The merger will become effective on the date and at the time that a certificate of merger is issued by the Secretary of State of Georgia. We presently expect that the effective date will occur in the fourth quarter of 2005.

TERMS OF THE MERGER

General

Upon completion of the merger, the separate legal existence of First National will cease, and St. Marys and Orange Park will become wholly-owned subsidiaries of ABC. All property, rights, powers, duties, obligations, debts and liabilities of First National will automatically be transferred to ABC. ABC s Articles of Incorporation will govern the combined entity. Thereafter, St. Marys and Orange Park, or only one of them if so determined by ABC, will merge with and into The First Bank of Brunswick or another wholly-owned subsidiary bank of ABC. The separate existence of the First National subsidiary bank or banks which merge with and into The First Bank of Brunswick or another wholly-owned subsidiary of ABC will cease upon such merger. If either St. Marys or Orange Park does not merge with and into The First Bank of Brunswick or another wholly-owned subsidiary of ABC, then the First National subsidiary bank which does not participate in such merger shall continue as a wholly-owned subsidiary of ABC.

Merger Consideration

Except as described in the next paragraph, if the merger is completed, then you will receive, for each First National share that you own, either $34.00 in cash or a to-be-determined number of shares of ABC common stock with a market value, measured as of the trading period, equal to $34.00. You may elect to receive ABC common stock, cash or a combination of stock and cash for your First National shares, subject to proration in the event the aggregate stock elections exceed 65% or are less than 40%. It is possible, therefore, that you will receive a different proportion of stock and cash than you elect. For example, if stock elections representing more than 65% of the outstanding shares of First National common stock prior to the merger are made, ABC will prorate the number of shares of its common stock that the holders of First National common stock will receive so that no more than 65% of the First National shares are converted into ABC common stock. ABC will not issue fractional shares. See the section entitled Terms of the Merger Fractional Shares at page 38.

Except as noted below, the exchange ratio in the merger is a floating rather than fixed exchange ratio. This means that the number of shares of ABC common stock to be issued in the merger for each share of First National common stock will increase or decrease based upon the average closing price of ABC common stock during the trading period in order to ensure that the value of the ABC common stock received in the merger will equal $34.00, measured as of the trading period, so long as the average closing price of ABC common stock during the trading period is not less than $14.00 (an exchange ratio of 2.4286) or higher than $20.00 (an exchange ratio of 1.7000).

If the average closing price of the ABC common stock during the trading period is less than $14.00 per share, then First National will have the right to terminate the merger agreement unless ABC increases the merger consideration so that you will receive cash and/or shares of ABC common stock having a value equal to what you would have received had the average closing price been $14.00 per share. If the average closing price of the ABC common stock during the trading period is less than $14.00 per share and First National does not exercise its right of termination, then the value of the ABC common stock you will receive for each share of First National common stock will be less than $34.00 per share measured as of the trading period. If the average closing price of ABC common stock during the trading period is higher than $20.00 per share, then the exchange ratio will be fixed at 1.7000, and the value of the ABC common stock you will receive for each share of First National common stock will be more than $34.00 per share measured as of the trading period.

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The following table shows examples of the number of shares of ABC common stock and cash into which 100 shares of First National common stock would be converted in the merger assuming that the average closing price for ABC stock during the trading period is as specified below and that the mix of merger consideration is 65% stock and 35% cash. The table also assumes no dissenters rights are exercised and ignores the payment of cash in lieu of fractional shares. Each share of First National common stock held in the treasury of First National and each share of First National common stock owned by ABC or any subsidiary of ABC or First National, other than in a fiduciary capacity, immediately prior to the effective time of the merger will be canceled and extinguished. No payment will be made with respect to such shares.

ASSUMED AVERAGE CLOSING PRICE OF ABC COMMON STOCK	RESULTING EXCHANGE RATIO	MERGER CONSIDERATION EXCHANGED FOR 100 SHARES OF FIRST NATIONAL COMMON STOCK	
		CASH	NUMBER OF SHARES OF ABC COMMON STOCK
$ 20.00	1.7000	$ 1,190	110
$ 18.50	1.8378	$ 1,190	119
$ 16.50	2.0606	$ 1,190	134
$ 14.00	2.4286	$ 1,190	158

We cannot assure you that the current fair market value of ABC or First National common stock will be equivalent to the fair market value of ABC or First National common stock on the effective date of the merger.

Proration Procedures

If the aggregate number of shares of First National common stock in respect of which cash elections have been made exceeds 60% of the number of shares of First National common stock outstanding immediately prior to the effective time of the merger, then the number of shares of First National common stock for which each holder has made an election to receive cash and otherwise would have been entitled to receive cash will be reduced proportionately for each such holder (based on the number of shares as to which an election was made by such holder as compared to the number of shares as to which an election was made by all holders) to the extent necessary so that the aggregate number of shares entitled to receive cash shall equal 60% of the number of shares of First National common stock outstanding immediately prior to the effective time of the merger. Each share of First National common stock that is not converted into cash will be converted into the right to receive shares of ABC common stock.

If the aggregate number of shares of First National common stock in respect of which stock elections have been made exceeds 65% of the number of shares of First National common stock outstanding immediately prior to the effective time of the merger, then the number of shares of First National common stock for which each holder has made an election to receive stock and otherwise would have been entitled to receive stock will be reduced proportionately for each such holder (based on the number of shares as to which an election was made by such holder as compared to the number of shares as to which an election was made by all holders) to the extent necessary so that the aggregate number of shares entitled to receive stock shall equal 65% of the number of shares of First National common stock outstanding immediately prior to the effective time of the merger. Each share of First National common stock that is not converted into stock will be converted into the right to receive $34.00 in cash.

Dissenters Rights

Holders of shares of First National common stock who properly elect to exercise the dissenters rights provided for in Article 13 of the Georgia Business Corporation Code will not have their shares converted into the right to receive merger consideration. If a holder s appraisal rights are lost or withdrawn, then such holder will receive the same consideration as all other holders of First National common stock. For more information, see the section entitled Statutory Provisions for Dissenting Shareholders at page 52.

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Fractional Shares

ABC will not issue any fractional shares of its common stock to First National shareholders. First National shareholders who would otherwise be entitled to receive a fractional share of ABC common stock instead will receive cash, without interest, for such fractional share in an amount equal to the product of the fraction multiplied by the average closing price of the ABC common stock during the trading period. You will not be entitled to dividends, voting rights or any other shareholder rights with respect to any fractional share interest.

Representations and Warranties

The merger agreement contains customary representations and warranties relating to, among other things:

- the organization and capital structures of ABC and First National;
- the contracts, employees, employee benefits, labor relations, litigation, real property, intangible assets and environmental compliance of First National;
- the due authorization, execution, delivery, performance and enforceability of the merger agreement;
- consents or approvals of regulatory authorities and third parties necessary to complete the merger;
- certain financial statements through the period ended December 31, 2004 fairly presenting the financial condition and results of operations of the respective parties in conformity with GAAP; and
- the absence of material adverse changes, since December 31, 2004, in the consolidated assets, business, liabilities, financial condition and results of operations of ABC (and its subsidiaries) and First National (and its subsidiaries) or in any of their respective relationships with customers, employees, lessors or others.

Conduct of Business Pending the Merger

Pursuant to the merger agreement, ABC and First National have each agreed to use reasonable efforts to preserve their business organizations intact and to maintain satisfactory relationships with their customers, suppliers, regulators and employees. In addition, ABC and First National agreed to conduct their businesses and to engage in transactions only in the ordinary course of business as conducted at the date of the merger agreement and in compliance in all material respects with all applicable laws and regulations and all contracts to which either is a party.

Among other things, without ABC s prior written consent (which will not be unreasonably withheld or delayed), First National has agreed not to:

amend its Articles of Incorporation, Bylaws or other governing instruments;

repurchase, redeem or otherwise acquire or declare or pay any dividend or make any other distribution in respect of its capital stock;

engage in certain activities such as selling, leasing, mortgaging or otherwise disposing of property having a book value exceeding $50,000 or incur indebtedness (except in the ordinary course of business for reasonable and adequate consideration);

enter into any compensation agreements or increase salaries, employee benefits, directors fees or bonuses, except to the extent consistent with past practices;

increase any compensation or benefits payable to its officers and employees, pay any bonuses, enter into or amend any severance protection agreements or pay or grant bonuses to any of its directors;

adopt or change employee benefit plans unless required by law, regulation or judicial interpretation or as deemed necessary or advisable, in the opinion of counsel, to maintain its tax status;

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- acquire direct control of any other person or entity except under certain circumstances;
- modify or amend any material contracts;
- adjust, split, combine or reclassify any of its capital stock or sell, lease, dispose of or otherwise encumber any shares of its capital stock or any asset with a book value in excess of $50,000; or
- commence or settle any litigation with a potential liability to First National in excess of $50,000.

First National has also agreed, among other things:

- subject to the terms of the merger agreement, to take all actions necessary to complete the transactions contemplated by the merger agreement;
- to maintain accurate books and records;
- to file all reports required to be filed with regulatory agencies; and
- to operate its business in the usual, regular and ordinary course and to preserve intact its business organization and assets.

Cooperation

The merger agreement requires First National to consult with ABC on all strategic and operational matters and to permit a representative of ABC to attend all meeting of First National s board of directors and its subsidiary banks. The purpose of these provisions is to facilitate the full exchange of information concerning the business, operations, capital spending, budgets and financial results of ABC and First National until the completion of the merger and to facilitate the efficient transition and combination of the two businesses.

Conditions to the Merger

The obligations of First National and ABC to consummate the merger are subject to various conditions, including following:

- the merger agreement shall have been duly approved by the First National shareholders;

all necessary governmental approvals for the merger shall have been obtained, and all waiting periods required by law or imposed by any governmental authority with respect to the merger shall have expired (see the section entitled Terms of the Merger-Required Regulatory Approvals at page 40);

no action, suit, proceeding or claim shall have been instituted, made or threatened relating to the merger;

First National shall have received an opinion of its counsel dated as of the effective date of the merger to the effect that, among other things, the merger will be treated for federal income tax purposes as a tax-free reorganization within the meaning of Section 368(a) of the Code (see the section entitled Federal Income Tax Consequences of the Merger at page 50);

the accuracy in all material respects as of June 30, 2005 and as of the effective date of the merger of the representations and warranties made, except as otherwise contemplated by the merger agreement;

the performance by ABC and First National in all material respects of all covenants and obligations required to be performed by each at or prior to the effective date of the merger;

the registration statement registering the shares of ABC common stock to be received by First National shareholders, of which this proxy statement/prospectus is a part, shall have been declared effective by the SEC, no stop order suspending the effectiveness of the registration statement shall have been issued, no action, suit, proceeding or investigation by the SEC to suspend the effectiveness of the registration statement shall have been initiated and be continuing, and all necessary approvals under federal and state securities laws relating to the issuance or trading of shares of ABC common stock issuable pursuant to the merger shall have been received; and

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other conditions which are customary for transactions of the type contemplated by the merger agreement.

See the sections entitled Terms of the Merger-Representations and Warranties at page 38 and Terms of the Merger-Conduct of Business Pending the Merger at page 38.

Required Regulatory Approvals

The merger may not proceed unless we receive the required regulatory approvals. We know of no reason why such approvals will not be obtained, but we cannot assure you that such regulatory approvals will be obtained or when we will obtain them. The Federal Reserve Board and the Georgia Department of Banking and Finance must approve the merger, and applications for the approvals described in this section were filed with the Federal Reserve Board and with the Georgia Department of Banking and Finance on August 18, 2005. We are not aware of any other regulatory approvals or actions that are required for consummation of the merger. Should any other approval or action be required, we presently contemplate that such approval or action would be sought.

In evaluating the merger, the Federal Reserve Board must consider, among other factors, the financial and managerial resources and future prospects of the institutions and the convenience and needs of the communities to be served. The relevant statutes prohibit the Federal Reserve Board from approving the merger if:

it would result in a monopoly or be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States; or

its effect in any section of the country could be to lessen substantially competition or to tend to create a monopoly, or if it would result in a restraint of trade in any other manner, unless the Federal Reserve Board should find that any anti-competitive effects are outweighed clearly by the public interest and the probable effect of the transaction in meeting the convenience and needs of the communities to be served.

The merger may not be consummated until the fifteenth day following the date of approval by the Federal Reserve Board, during which time the United States Department of Justice will be afforded the opportunity to challenge the transaction on antitrust grounds. The commencement of any antitrust action will stay the effectiveness of the approval of the agencies, unless a court of competent jurisdiction should specifically order otherwise.

The Georgia Department of Banking and Finance and the FDIC must approve the merger of St. Marys and Orange Park, or either of them, with and into The First Bank of Brunswick or another wholly-owned subsidiary of ABC. In their evaluation of each of these transactions, the Georgia Department of Banking and Finance and the FDIC will take into account considerations similar to those taken into account by the Federal Reserve Board.

Waiver, Amendment and Termination

We may agree to further amend the merger agreement. However, after approval and adoption of the merger agreement by the First National shareholders, we cannot enter into any amendment that decreases the merger consideration payable in exchange for the First National shares without the approval of the First National shareholders. One party may waive any breach of the merger agreement by the other party or the failure of the other party to meet any conditions or terms of the merger agreement.

The merger agreement may be terminated and the merger abandoned at any time prior to the effective date, even though we have received the approval of First National shareholders:

- by our mutual consent;
- by either one of us if, without the fault of the terminating party, the closing of the merger does not occur on or before December 31, 2005;

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by either of us (if the terminating party is not in material breach) if regulatory approval is denied;

by either of us if: (i) the other party materially breaches its representations, warranties or covenants under the merger agreement and the breach is not corrected within 30 days after notice, (ii) an event or circumstance arises as a result of which the other party will be unable to satisfy certain conditions of the merger agreement, or (iii) if, at the closing of the merger, any condition to the obligations of such party is not met;

by First National if it has entered into a definitive agreement to be acquired by another party, so long as First National complies with the terms of the merger agreement and pays ABC the fee described in the section entitled Terms of the Merger- Expenses and Fees in Connection with the Merger at page 41; or

by First National, under certain circumstances, if the average closing price of the ABC common stock during the trading period is less than $14.00 per share.

If the merger is terminated as described above, the merger agreement will have no effect, except for certain of its provisions, including those relating to the obligations to maintain the confidentiality of certain information and to return all documents obtained from the other party under the merger agreement.

Expenses and Fees in Connection with the Merger

First National and ABC each will bear its respective costs and expenses incurred in connection with the merger, including the fees, expenses and disbursements of its respective counsel and auditors and one-half of the costs incurred in connection with printing and mailing this proxy statement/prospectus, whether or not the merger is consummated. However, in the event that the merger agreement is terminated by First National upon execution of a definitive agreement with a third party or in the event that, prior the termination of the merger agreement, First National receives a takeover proposal and, within one year of such termination, enters into, approves, recommends or takes action with respect to a merger, consolidation or other business combination with any other person, then First National will have to pay to ABC the sum of $1.5 million. Also, if the merger agreement is terminated because either ABC or First National materially breaches its representations, warranties or covenants thereunder, the non-breaching party will be entitled to immediate reimbursement of its merger-related expenses up to $250,000 from the breaching party and will be free to pursue all other remedies available to it by reason of such breach.

Management and Operations After the Merger

ABC intends to undertake a comprehensive review of the business operations, capitalization and management of First National after the merger and, based on the results of such review, intends to develop and implement a business plan aimed at maximizing the financial condition, operating results and future prospects of the combined company.

Non-competition and Non-disclosure Agreements

It is a condition to the consummation of the merger that each director of First National (other than Timothy M. O Keefe) enter into a non-competition and non-disclosure agreement with ABC. The agreement will provide that such director will not engage or participate in any business or enterprise that competes with the business activities of ABC or First National. The agreement will be effective for two years following the completion of the merger. The scope of the agreement will be limited to a geographic area within a 50-mile radius of Orange Park, Florida and St. Marys, Georgia.

In addition, the agreement will provide that for the two years following the completion of the merger, such director will not recruit certain employees of First National or ABC or any of their respective subsidiaries unless the employee has ceased to be employed by First National or ABC (or any of their respective affiliated companies) for

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at least six months. The agreement will also provide that for the two years following the completion of the merger, such director will be prohibited from influencing certain persons to discontinue or reduce their business relationship with ABC or First National or their respective subsidiaries.

The agreement will further provide that such director will not disclose any confidential information of ABC or First National for two years following the closing of the merger or reveal any trade secrets of ABC or First National for so long as they remain trade secrets.

The description of the non-competition and non-disclosure agreement is qualified by reference to the complete text of such agreement, which is an exhibit to the merger agreement which is attached as APPENDIX A to this proxy statement/prospectus.

First National Stock Options

Prior to June 30, 2005, First National s directors and executive officers held options to purchase an aggregate of 21,214 shares of First National common stock with exercise prices between $20.40 and $35.00 per share. All of these options will be exercised in accordance with their terms, with payment of the full cash exercise price to First National.

Employee Benefits of First National Employees After the Merger

ABC has agreed that all persons employed by First National and its subsidiaries at the effective time of the merger will be eligible for such employee benefits as are generally available to employees of ABC having like tenure, officer status and compensation levels.

Indemnification and Insurance

ABC has agreed that all rights to indemnification and all limitations of liability existing in favor of indemnified parties under First National s Articles of Incorporation and Bylaws as in effect on June 30, 2005 with respect to matters occurring prior to or at the effective time of the merger will survive the merger. In addition, ABC has agreed to cause the officers and directors of First National to be covered by directors and officers liability insurance for three years following the effective time of the merger, subject to certain conditions.

No director or executive officer of First National owns any ABC common stock. No director or executive officer of ABC has any personal interest in the merger other than as an ABC shareholder. No ABC director or executive officer owns any shares of First National common stock.

Nasdaq Listing and Public Trading Market

ABC common stock is traded on The Nasdaq National Market under the trading symbol ABCB. The shares of ABC common stock issuable pursuant to the merger will be traded on the same market under the same symbol. The shares of ABC common stock to be issued in the merger will be freely transferable under applicable securities laws, except to the extent of any limitations or restrictions applicable to any shares received by any shareholder who may be deemed an affiliate of First National on the date of the annual meeting or an affiliate of ABC following completion of the merger. See the section entitled Restrictions on Resales by Affiliates at page 54.

ABC Dividends

The holders of ABC common stock receive dividends if and when declared by ABC s board of directors out of legally available funds. ABC declared a dividend of $0.12 per share of common stock for the fourth quarter of 2004. ABC paid a cash dividend of $0.14 per share of common stock for each of the first three quarters of 2005. Following the completion of the merger, ABC expects to continue paying quarterly cash dividends on a basis

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consistent with past practice. However, the declaration and payment of dividends will depend upon business conditions, operating results, capital and reserve requirements and consideration by ABC s board of directors of other relevant factors.

No Solicitation of Alternative Transactions

First National was required to immediately cease any negotiations with any person regarding any acquisition transaction existing at the time the merger agreement was executed. In addition, neither First National nor any of its subsidiaries may solicit, directly or indirectly, inquiries or proposals with respect to, or, except to the extent determined by First National s board of directors in good faith, after consultation with its financial advisors and legal counsel, to be required to discharge properly the board s fiduciary duties, furnish any information relating to, or participate in any negotiations or discussions concerning, any sale of all or substantially all of First National s assets, any purchase of a substantial equity interest in it or any merger or other combination with it. Subject to the same fiduciary duties, First National s board of directors may not withdraw its recommendation to you of the merger or recommend to you any such other transaction.

First National and its subsidiaries were also required to instruct their respective officers, directors, agents, and affiliates to refrain from taking action prohibited of First National and its subsidiaries and is required to notify ABC immediately if it receives any inquires from third parties. However, no director or officer of First National is prohibited from taking any action that First National s board of directors determines in good faith, after consultation with counsel and receipt of a written opinion, is required by law or is required to discharge such director s or officer s fiduciary duties.

Accounting Treatment of the Merger

ABC is required to account for the merger as a purchase transaction under GAAP. Under the purchase method of accounting, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of First National will be recorded, as of completion of the merger, at their respective fair values and added to those of ABC. Any excess of purchase price over the net fair value of First National s assets and liabilities is recorded as goodwill (excess purchase price). Financial statements and reported results of operations of ABC issued after completion of the merger will reflect these values but will not be restated retroactively to reflect the historical financial position or results of operations of First National. The results of operations of First National will be included in the results of operations of ABC following the effective time of the merger.

ADDITIONAL AGREEMENTS RELATED TO THE MERGER

On June 30, 2005, ABC and certain First National shareholders entered into a voting agreement, and ABC and First National entered into an agreement regarding capital loan. The material terms of these agreements are summarized below.

Voting Agreement

The voting agreement is among ABC and certain First National shareholders, including each member of First National s board of directors, who beneficially owned, in the aggregate, approximately 68.1% of the outstanding shares of First National common stock as of the record date. Pursuant to the voting agreement, each First National shareholder who is a party to the voting agreement agreed that such shareholder would vote, and granted ABC an irrevocable proxy to vote, all shares of First National common stock which such shareholder beneficially owns and is entitled to vote (or direct the voting of):

in favor of approval and adoption of the merger agreement, the merger, the other transactions contemplated by the merger agreement and any other actions required in furtherance of the merger agreement;

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- against any action, proposal, transaction or agreement that would results in a breach of any covenant, representation or warranty or any other obligation or agreement by First National under the merger agreement or by any First National shareholder under the voting agreement; and

- except with the written consent of ABC, against any action or proposal (other than as contemplated by the merger agreement) involving First National or its subsidiary banks that is intended, or could reasonably be expected, to adversely affect or delay the merger or the transactions contemplated by the merger agreement, including, but not limited to:

  - a competing third-party proposal to acquire all or a significant portion of First National or its subsidiary banks;

  - any change in the persons who constitute First National s board of directors that is not approved in advance by at least a majority of the persons who were directors of First National as of June 30, 2005 or their successors who were so approved;

  - any material change in First National s capitalization or any amendment to First National s Articles of Incorporation or Bylaws; or

  - any other material change in First National s corporate structure or business.

Each First National shareholder who is a party to the voting agreement also agreed that, until the voting agreement is terminated, such shareholder will not:

- sell, transfer, tender, pledge, encumber, assign or otherwise dispose of (which actions are collectively referred to herein as a Transfer), or enter into any contract, option or agreement with respect to the Transfer of, any shares of First National common stock beneficially owned by such shareholder (except for any Transfer between First National shareholders who are both parties to the voting agreement and except for any pledge or encumbrance which does not impair any such shareholder s ability to perform its obligations under the voting agreement);

- take any action that would have the effect of preventing, impeding or adversely affecting such shareholder s ability to perform its obligations under the voting agreement; or

- solicit, initiate, conduct or continue any discussions or negotiations, or knowingly respond to or encourage any inquires or proposals, or provide any information to any person, relating to any competing third-party proposal to acquire all or a significant part of First National or its subsidiary banks.

The voting agreement will terminate and have no further effect upon the earlier to occur of:

- the mutual consent of ABC and the First National shareholders who are parties to the voting agreement;

- the date on which the merger is completed;

- the date on which the merger agreement is terminated in accordance with its terms; or

- the date on which the merger agreement is amended or modified, or any provision therein is waived, in a manner which reduces either the number of shares of ABC common stock issuable or the amount of cash payable to the First National shareholders pursuant to the merger agreement.

The affirmative vote of shareholders owning at least a majority of the outstanding First National common stock is required to approve and adopt the merger agreement. Pursuant to the voting agreement, certain First National shareholders, including all of its directors, which shareholders together beneficially owned approximately 692,152 shares as of the record date, or approximately 68.1%, of the outstanding First National common stock, have granted to ABC an irrevocable proxy to vote their First National common stock in favor of the approval and adoption of the merger agreement. As a result, the approval and adoption of the merger agreement is practically assured.

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The description of the voting agreement is qualified by reference to the complete text of the voting agreement, which is an exhibit to the merger agreement which is attached as APPENDIX A to this proxy statement/ prospectus.

Agreement Regarding Capital Loan

Pursuant to the agreement regarding capital loan between ABC and First National, ABC agrees that, upon written request by First National after First National, St. Marys or Orange Park receives a written notification from a regulatory authority requiring First National, St. Marys or Orange Park to increase its capital, ABC will extend a loan to First National in principal amount necessary to satisfy the request for such capital increase, up to $6.0 million. The entire principal amount of any loan made by ABC pursuant to the agreement would be payable on the second anniversary of the loan and would accrue interest at a rate per annum equal to the prime rate, with all accrued interest being payable on the first and second anniversaries of the loan. First National s payment obligations under the loan would be secured by a pledge to ABC of the capital stock of Orange Park.

ABC s obligation to make the loan to First National will terminate on the date of the termination of the merger agreement in the event the merger agreement is terminated:

- by either First National or ABC, if the merger agreement is not duly approved by the First National shareholders;
- by ABC, if First National withdraws, modifies or changes its recommendation with respect to the merger agreement or the merger;
- by First National, if it has entered into a definitive agreement to be acquired by another party, so long as First National complies with the terms of the merger agreement and pays ABC the fee described in Terms of the Merger Expenses and Fees in Connection with the Merger ; or
- by ABC, if First National willful breaches any of its representations, warranties, agreements or covenants set forth in the merger agreement.

ABC s obligation to make the loan to First National will otherwise terminate 60 days after the date of the termination of the merger agreement for any other reason than set forth above.

The description of the agreement regarding capital loan is qualified by reference to the complete text of such agreement, which is filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part and incorporated herein by reference.

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UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

The following tables present financial information as of and for the six months ended June 30, 2005 and for the year ended December 31, 2004 for ABC after giving effect to the completion of the proposed merger.

The pro forma financial information gives effect to the merger under the purchase accounting method in accordance with GAAP. The unaudited pro forma combined consolidated financial statements combine the historical consolidated financial statements of ABC and First National giving effect to the merger as if it had been effective on June 30, 2005 with respect to the applicable unaudited pro forma combined consolidated balance sheet and as of the beginning of the period indicated with respect to the unaudited pro forma combined consolidated statements of income.

The information for the year ended December 31, 2004 is derived from ABC s audited consolidated financial statements, including the related notes, and from First National s audited financial statements, including the related notes, all included elsewhere in this proxy statement/prospectus. See the section entitled Index to Financial Statements at page F-1.

ABC expects to incur reorganization and restructuring expenses as a result of the proposed merger. The effect of the estimated reorganization and restructuring costs expected to be incurred in connection with the proposed merger has not been reflected in the unaudited pro forma combined condensed consolidated balance sheet. ABC also anticipates that the merger will provide the combined company with some future financial benefits that include reduced operating expenses and opportunities to earn more revenue. However, ABC does not reflect any of these anticipated cost savings or benefits in the pro forma financial information. Therefore, the pro forma financial information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not attempt to predict or suggest future results. The pro forma financial information also does not attempt to show how the combined company would actually have performed had the companies been combined throughout the periods presented. ABC has included in the pro forma financial information all the adjustments necessary for a fair statement of results of the historical periods.

Given the information regarding the proposed merger, the actual consolidated financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein because, among other reasons, (i) assumptions used in preparing the pro forma financial information may be revised in the future due to changes in values of assets or liabilities, including finalization of the calculation of a core deposit intangible, and changes in operating results between the dates of the unaudited pro forma financial data and the date on which the merger is completed; and (ii) adjustments may need to be made to the unaudited historical financial data upon which such pro forma data are based.

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ABC BANCORP AND SUBSIDIARIES

COMBINED WITH FIRST NATIONAL BANC, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED BALANCE SHEET

JUNE 30, 2005

(Unaudited)

(Dollars in Thousands)

	ABC Historical	First National Banc Historical	Pro Forma Adjustments (Notes A and B)	Pro Forma Combined
Assets:				
Cash and due from banks	$ 37,795	$ 7,889	$	$ 45,684
Interest bearing deposits in banks	20,223	541	(12,095)(1)	8,669
Federal funds sold		22,562		22,562
Investment securities	218,371	18,533		236,904
Loans, net	945,855	200,383		1,146,238
Premises and equipment	28,954	8,094		37,048
Investment in First National			34,557(1)	
			(34,557)(2)	
Intangible assets	3,296	2,390	8,733(2)	14,419
Goodwill	25,054		8,733(2)	33,787
Other assets	25,304	9,645		34,949
	$ 1,304,852	$ 270,037	$ 5,371	$ 1,580,260
Liabilities and Equity:				
Deposits	$ 1,035,863	$ 233,067	$	$ 1,268,930
Federal funds purchased and securities sold under agreements to repurchase	6,387			6,387
Other borrowings	95,236	12,700		107,936
Subordinated debentures	35,567	5,155		40,722
Other liabilities	6,715	2,024		8,739
Total liabilities	1,179,768	252,946		1,432,714
Equity:				
Common stock	13,182		1,214(1)	14,396
Capital surplus	46,172		21,248(1)	67,420
Retained earnings	77,549			77,549
Other comprehensive income	(736)			(736)
Unearned compensation	(681)			(681)
Treasury stock	(10,402)			(10,402)
Equity of First National Banc		17,091	(17,091)(2)	
Total equity	125,084	17,091	5,371	147,546

	$ 1,304,852	$ 270,037	$ 5,371	$ 1,580,260

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ABC BANCORP AND SUBSIDIARIES

COMBINED WITH FIRST NATIONAL BANC, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

(Dollars in Thousands, Except Per Share Data)

	Six Months Ended June 30, 2005			
	ABC Historical	First National Banc Historical	Pro Forma Adjustments (Note B)	Pro Forma Combined
Interest income	$ 37,551	$ 8,538	$ (197)(4)	$ 45,892
Interest expense	11,312	2,997		14,309
Net interest income	26,239	5,541	(197)	31,583
Provision for loan loss	1,119	3,597		4,716
Net interest income after provision for loan losses	25,120	1,944	(197)	26,867
Other income	6,985	1,066		8,051
Other expense	21,666	4,405	291(3)	26,362
Income from continuing operations before income taxes	10,439	(1,395)	(488)	8,556
Income taxes	3,553	(597)	(166)(5)	2,790
Income from continuing operations	$ 6,886	$ (798)	$ (322)	$ 5,766
Income per share from continuing operations basic				$ 0.44
Income per share from continuing operations diluted				$ 0.44

	Year Ended December 31, 2004			
	ABC Historical	First National Banc Historical	Pro Forma Adjustments (Note B)	Pro Forma Combined
Interest income	$ 64,365	$ 14,926	$ (394)(4)	$ 78,897
Interest expense	19,375	4,251		23,626
Net interest income	44,990	10,675	(394)	55,271
Provision for loan loss	1,786	7,809		9,595
Net interest income after provision for loan losses	43,204	2,866	(394)	45,676

Other income	13,023	2,207		15,230
Other expense	36,505	8,219	582(3)	45,306
Income from continuing operations before income taxes	19,722	(3,146)	(976)	15,600
Income taxes	6,621	(1,234)	(332)(5)	5,055
Income from continuing operations	$ 13,101	$ (1,912)	$ (644)	$ 10,545
Income per share from continuing operations basic				$ 0.81
Income per share from continuing operations diluted				$ 0.81

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ABC BANCORP AND SUBSIDIARIES

COMBINED WITH FIRST NATIONAL BANC, INC. AND SUBSIDIARIES

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A. The pro forma condensed balance sheet has been prepared assuming the merger was consummated on June 30, 2005. The pro forma condensed statement of income has been prepared assuming the merger was consummated at the beginning of each period presented.

B. The following pro forma adjustments have been applied to give effect to the proposed merger described in this proxy statement/prospectus.

Balance Sheet:

(1) Payment of $12,095,000 in cash (representing approximately 35% of total consideration) and issuance of 1,214,157 shares of ABC common stock (with an assumed market value of $18.50 per share) in exchange for 100% of the equity of First National for a total consideration of $34,557,000.

(2) The excess of purchase price over the fair value of net assets acquired amounting to $17,466,000 has been allocated as follows: 50% to intangible assets and 50% to goodwill. Upon completion of the merger, portions of the excess of the purchase price over the fair value of net assets acquired will be allocated to specific assets based on the fair value of these assets on the day the merger is completed.

Statement of Income:

(3) Pro forma adjustments to income resulting from the allocation of the purchase price of First National as follows:
Amortization of intangible assets using the straight-line method over an average period of 15 years.

(4) Loss of interest on interest bearing deposits used to fund the merger using an average rate of 3.25%.

(5) Tax effect of pro forma adjustment for reduction in interest income and the amortization of intangible assets using a tax rate of 34%.

C. Based on the assumption that the excess purchase price over the fair value of the net assets acquired will be allocated 50% to amortizable intangible or tangible assets, the effect of the purchase adjustments described in Note B (3) above will result in a decrease in net income of $582,000 for each of the next five years.

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FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following is a summary of the material anticipated federal income tax consequences of the merger. This summary is based on the federal income tax laws now in effect and as currently interpreted. This summary does not take into account possible changes in these laws or interpretations, including amendments to applicable statutes or regulations or changes in judicial or administrative rulings, some of which may have retroactive effect. This summary does not address all aspects of the possible federal income tax consequences of the merger and is not intended as tax advice to any person.

In particular, this summary does not address the federal income tax consequences of the merger to First National shareholders in light of their particular circumstances or status. For example, this summary does not address the federal income taxation of the merger to First National shareholders: (i) who hold their shares of First National common stock as part of a hedge, straddle, constructive sale or conversion transaction, as those terms are used in the Code, or (ii) who are foreign persons, tax-exempt entities, dealers in securities, insurance companies or corporations, among others. Nor does this summary address any consequences of the merger under any state, local or foreign laws or the tax treatment of shares of First National or options or other rights to purchase shares of First National stock that are or have been received as compensation. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER TO YOU, INCLUDING TAX RETURN REPORTING REQUIREMENTS, THE APPLICATION AND EFFECT OF FEDERAL, FOREIGN, STATE, LOCAL AND OTHER TAX LAWS, AND THE IMPLICATIONS OF ANY PROPOSED CHANGES IN THE TAX LAWS.

In connection with the filing of the registration statement of which this proxy statement/prospectus is a part, Smith, Gambrell & Russell, LLP, counsel to First National, delivered a tax opinion to First National to the effect that the merger will qualify as a tax-free reorganization under Section 368(a) of the Code and that a First National shareholder will not recognize gain on the exchange of shares of First National common stock in the merger in excess of the amount of cash received by the shareholder in the merger. That opinion was rendered (i) in reliance on certain representations provided by management of First National and ABC, (ii) based upon a specific assumption that First National shareholders will receive as merger consideration ABC common stock with a value equal to at least 40% of the total value of all First National common stock as of the effective time of the merger, and (iii) subject to certain other assumptions and limitations as stated therein. It is a condition to First National s and ABC s obligations to effect the merger that such tax opinion shall have been reissued in substantially the same form as of the effective time of the merger. Although the condition to receive the tax opinion at the closing of the merger is waivable, if such condition is waived by both First National and ABC, then the First National shareholders shall be re-solicited with respect to the merger.

The tax opinion of Smith, Gambrell & Russell, LLP is based upon the Code, the applicable regulations promulgated or proposed thereunder, current rulings of the Internal Revenue Service and judicial decisions as in effect on the date of such opinion, all of which are subject to modification or challenge at any time and perhaps with retroactive effect.

Consequences to First National Shareholders

Each First National shareholder who receives a combination of ABC common stock and cash pursuant to the merger will realize gain or loss equal to the difference between: (i) the sum of the cash plus the fair market value of the ABC common stock received and (ii) such shareholder s adjusted tax basis in the shares of First National common stock surrendered. Any such gain will only be recognized to the extent of the cash received. However, any such loss will not be recognized, but will be reflected in the tax basis of the ABC common stock received. Accordingly, a First National shareholder generally will be able to recognize any such loss as an offset to the amount realized upon a subsequent sale or exchange of such ABC common stock. For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and a loss recognized on one block of shares of First National common stock cannot be used to offset a gain recognized on another block of shares of First National common stock.

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Any gain recognized by a First National shareholder in the merger will be eligible for capital gain treatment (assuming the First National shareholder s shares of First National common stock are held as a capital asset by the shareholder) unless the receipt of cash has the effect of a distribution of a dividend (within the meaning of Section 356 of the Code taking into account the constructive ownership rules of Section 318 of the Code), in which case such gain will be taxable as ordinary income to the extent of the shareholder s ratable share of First National s undistributed earnings and profits. In general, the determination of whether the gain recognized in the exchange will be treated as capital gain or has the effect of a distribution of a dividend depends upon whether and to what extent the exchange reduces the shareholder s deemed percentage stock ownership of ABC. For purposes of this determination, the shareholder is treated as if the shareholder first exchanged all of the shareholder s shares of First National common stock solely for ABC common stock and then ABC immediately redeemed (which we refer to in this proxy statement/prospectus as a deemed redemption) a portion of the ABC common stock in exchange for the cash the shareholder actually received. The gain recognized in the deemed redemption will be treated as capital gain if the deemed redemption is substantially disproportionate with respect to the shareholder or not essentially equivalent to a dividend.

The deemed redemption will generally be substantially disproportionate with respect to a shareholder if the percentage described in clause (ii) below is less than 80% of the percentage described in clause (i) below. Whether the deemed redemption is not essentially equivalent to a dividend with respect to a shareholder will depend upon the shareholder s particular circumstances. At a minimum, however, in order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in the shareholder s deemed percentage stock ownership of ABC. In general, that determination requires a comparison of (i) the percentage of the outstanding stock of ABC that the shareholder is deemed actually and constructively to have owned immediately before the deemed redemption and (ii) the percentage of the outstanding stock of ABC that is actually and constructively owned by the shareholder immediately after the deemed redemption. In applying the above tests, a shareholder may, under the constructive ownership rules, be deemed to own stock that is owned by other persons or stock underlying a shareholder s option to purchase such stock in addition to the stock actually owned by the shareholder.

The Internal Revenue Service has ruled that a shareholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is generally considered to have a meaningful reduction if that shareholder has a relatively minor reduction in that shareholder s percentage stock ownership under the above analysis; accordingly, the gain recognized in the exchange by such a shareholder would be treated as capital gain.

These rules are complex and dependent upon the specific factual circumstances particular to each First National shareholder. Consequently, each First National shareholder that may be subject to these rules should consult such shareholder s tax advisor as to the application of these rules to the particular facts relevant to such shareholder.

A First National shareholder who receives ABC common stock and cash will receive a basis in the ABC common stock equal to the basis of the First National stock surrendered in the exchange, decreased by the amount of cash received, and increased by the amount of any gain recognized on the exchange. The holding period of the ABC common stock received by such a shareholder will include the holding period of the shares of First National stock surrendered in the exchange, provided the surrendered shares were held as a capital asset as of the effective time of the merger.

The payment of cash to First National shareholders in lieu of fractional shares of ABC common stock will be treated as if such fractional shares were distributed as part of the exchange and then redeemed for cash. That means that, in general, gain or loss will be recognized, measured by the difference between the amount of cash received for such fractional shares and the basis of the First National stock allocable to such fractional shares. In general, such gain or loss will constitute capital gain or loss if the shares of First National stock were held as capital assets immediately prior to the effective time of the merger, which gain or loss will be long-term in nature if the shares of First National stock exchanged therefor have been held (or are deemed to have been held) for more than one year.

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Consequences to First National and ABC

If the merger is treated as a reorganization within the meaning of Section 368(a) of the Code, then no gain or loss will be recognized by ABC or First National in the merger.

Dissenting Shareholders

Any First National shareholder who dissents from the merger and receives solely cash in exchange for such shareholder s First National common stock will realize gain or loss equal to the difference between the cash received (other than amounts, if any, which are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and the shareholder s adjusted tax basis in the First National common stock surrendered. Any such gain or loss generally should be capital in nature, although any dissenting shareholder who will directly or constructively (under the attribution rules of Section 318 of the Code) own any shares of ABC common stock immediately after the merger should consult his own tax advisor to determine whether any such gain could constitute dividend income in whole or in part.

Backup Withholding

Absent an applicable exemption, ABC s exchange agent must withhold 28% of the cash consideration to which any First National shareholder is entitled in the merger, unless the shareholder provides his or her tax identification number and certifies, under penalties of perjury, that such number is correct. Accordingly, if requested by the exchange agent, each First National shareholder should complete an IRS Form W-9 or substitute form to provide the information and certification necessary to avoid this backup withholding . This information will be distributed to the First National shareholders with the letter of transmittal.

STATUTORY PROVISIONS FOR DISSENTING SHAREHOLDERS

The following discussion is not a complete description of the law relating to appraisal rights available under Georgia law and is qualified by the full text of Article 13 of the Georgia Business Corporation Code. Article 13 is attached as APPENDIX B to this proxy statement/prospectus. If you desire to exercise appraisal rights, you should review carefully Article 13 and are urged to consult a legal advisor before electing or attempting to exercise these rights.

Any holder of record of First National common stock who objects to the merger, and who fully complies with all of the provisions of Article 13 of the Georgia Business Corporation Code (but not otherwise), will be entitled to demand and receive payment for all (but not less than all) of his or her shares of First National common stock if the proposed merger is consummated.

A shareholder of First National who objects to the merger and desires to receive payment of the fair value of his or her First National common stock:

must file a written objection to the merger with First National either prior to the annual meeting or at the meeting but before the vote is taken, and the written objection must contain a statement that the shareholder intends to demand payment for his or her shares if the merger agreement is approved and adopted; AND

must not vote his or her shares in favor of the merger agreement; AND

must demand payment and deposit his or her certificate(s) in accordance with the terms of the dissenters notice sent to the dissenting shareholder by First National following approval and adoption of the merger agreement.

A vote against the merger agreement alone will not constitute the separate written notice and demand for payment referred to immediately above. Dissenting shareholders must separately comply with all three conditions.

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Any notice required to be given to First National must be forwarded to First National Banc, Inc., 2309 Osborne Road, St. Marys, Georgia 31558, Attention: Chief Executive Officer.

If the merger agreement is approved and adopted, First National will mail, no later than 10 days thereafter, by certified mail to each shareholder who has complied with the three conditions above, written notice of such approval and adoption, addressed to the shareholder at such address as the shareholder has furnished First National in writing or, if none, at the shareholder s address as it appears on the records of First National. First National will set a date by which it must receive the payment demand, which date may not be fewer than 30 nor more than 60 days after the date the dissenters notice is delivered. The shareholder must make the written election to dissent and demand for payment described in the third condition above by the payment demand date as set by First National.

If all three conditions above are satisfied in full, First National is required to make a written offer within 10 days of receiving the payment demand, or within 10 days after the completion of the merger, whichever is later, to each dissenting shareholder to purchase all of such shareholder s shares of First National stock at a specific price. If First National and any dissenting shareholder are unable to agree on the fair value of the shares within 60 days, then First National will commence a proceeding in superior court of the county where its main office is located to determine the rights of the dissenting shareholders and the fair value of his or her shares. If First National does not commence the proceeding within the 60-day period, then it must pay each dissenter whose demand remains unsettled the amount demanded.

In the event of a court proceeding, the court will determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court, but not including fees and expenses of attorneys and experts for the respective parties. The court will assess these costs against First National, except that the court may assess these costs against all or some of the dissenters in amounts the court finds equitable to the extent the court finds the dissenters acted arbitrarily or not in good faith in demanding payment under the dissenters provisions. The court may also assess the fees and expenses of attorneys and experts for the respective parties in amounts the court finds equitable: (i) against First National and in favor of any or all dissenters if the court finds First National did not substantially comply with the dissenters provisions; or (ii) against First National or a dissenter in favor of any other party if the court finds that the party against whom fees and expenses are assessed acted arbitrarily or not in good faith with respect to the rights provided by the dissenters provisions. If the court finds that the services of attorneys for any dissenter were of substantial benefit to other dissenters similarly situated and that the fees for those services should not be assessed against First National, the court may award these attorneys reasonable fees to be paid out of the amounts awarded the dissenters who were benefited.

One of the conditions to the merger is that the aggregate number of shares of First National common stock dissenting from the merger not exceed five percent of the outstanding First National common stock. If this condition is not satisfied, then ABC will not be required to complete the merger, in which event the dissenters rights described in this section would also terminate.

Upon compliance with the statutory procedures, dissenting shareholders will not have any rights as shareholders of First National or of ABC, including, among other things, the right to receive dividends and the right to vote on matters submitted for shareholder consideration.

First National shareholders should note that cash paid to dissenting shareholders in satisfaction of the fair value of their shares will be recognized as gain or loss for federal income tax purposes.

Failure by a First National shareholder to follow the steps required by the Georgia Business Corporation Code for perfecting appraisal rights may result in the loss of such rights. In view of the complexity of these provisions and the requirement that they be strictly complied with, if you hold First National common stock and are considering dissenting from the approval and adoption of the merger agreement and exercising your appraisal rights under the Georgia Business Corporation Code, you should consult your legal advisors.

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RESTRICTIONS ON RESALES BY AFFILIATES

This proxy statement/prospectus does not cover any resales of ABC common stock to be received by the First National shareholders upon the completion of the merger, and no person is authorized to make any use of this proxy statement/prospectus in connection with any such resale.

The shares of ABC common stock to be issued in the merger will be freely transferable under the Securities Act. However, this will not be the case for shares issued to any shareholder who may be deemed to be an affiliate of First National for purposes of Rule 145 under the Securities Act as of the date of the annual meeting. Affiliates may resell their ABC common stock only in transactions registered under the Securities Act or permitted by the resale provisions of Rule 145 under the Securities Act or as otherwise permitted thereby. These rules also apply to ABC common stock owned by affiliates of ABC. Affiliates generally include individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by or are under common control with ABC or First National and include directors, certain executive officers and principal shareholders. The restrictions on resales by an affiliate extend also to certain related parties of the affiliate, including spouses, relatives and spouse s relatives who in each case have the same home as the affiliate.

The merger agreement requires First National to use its best efforts to cause each of its affiliates to deliver a written affiliate agreement to ABC to the effect generally that the affiliate will not offer or otherwise dispose of any shares of ABC stock owned by the affiliate, except in compliance with the Securities Act and the rules and regulations issued thereunder. The description of the affiliate agreement is qualified by reference to the complete text of the affiliate agreement, which is an exhibit to the merger agreement which is attached as APPENDIX A to this proxy statement/prospectus.

INTERESTS OF FIRST NATIONAL S DIRECTORS AND EXECUTIVE OFFICERS IN THE MERGER

General

You should be aware of potential conflicts of interest of, and the benefits available to, certain First National directors and executive officers. These directors and executive officers may be deemed to have interests in the merger that are different from, or in addition to, their interests as First National shareholders generally. These interests include, among others, employment agreements with certain employees of First National, proposed employee benefits for those persons who become employees of an ABC subsidiary after the merger and indemnification and insurance coverage. First National s board of directors was aware of these interests and considered them, in addition to other matters, in approving the merger agreement.

Employment Agreements

On or about June 30, ABC extended offers of employment to Timothy W. O Keefe, First National s President and Chief Operating Officer, and certain other employees of First National contingent upon the completion of the merger. Mr. O Keefe and the other offerees accepted these offers and agreed to become employed by The First Bank of Brunswick or, if the merger agreement is restructured pursuant to its terms, another ABC subsidiary, pursuant to the terms of an employment agreement to be executed upon the completion of the merger.

The employment agreement to be entered into by Mr. O Keefe and the ABC subsidiary upon completion of the merger provides that Mr. O Keefe will agree to serve as City President of the ABC subsidiary for a two-year period and that Mr. O Keefe will be entitled to receive a minimum annual salary of $140,000 and an annual bonus equal to be determined in the discretion of the ABC subsidiary and to participate in all present and future employee benefit, retirement, compensation plans and other perquisites generally available to employees of the ABC subsidiary, consistent with Mr. O Keefe s salary and his position as the City President of the ABC

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subsidiary. The employment agreement further provides that, in the event of termination of Mr. O Keefe s employment with the ABC subsidiary, it will pay to Mr. O Keefe: (i) his base salary and annual bonus through the date of termination if he is terminated by the ABC subsidiary s board of directors for cause (as defined) or if he terminates his employment without good reason (as defined); and (ii) his base salary and annual bonus through the date of termination if he terminates his employment for good reason and, if such termination occurs within twelve months after a change of control of the ABC subsidiary, then, for two additional 12-month periods, his base salary and a bonus in an amount determined pursuant to the terms of the employment agreement. The employment agreement also includes certain restrictive covenants which limit Mr. O Keefe s ability to compete with the ABC subsidiary or divulge certain confidential information concerning the ABC subsidiary.

ABC has also agreed to pay to Mr. O Keefe a bonus of $220,000 no later than 15 days after the completion of the merger, provided Mr. O Keefe remains employed by the ABC subsidiary pursuant to his employment agreement at such time.

The above description of Mr. O Keefe s employment agreement is qualified by reference to the complete text of the form of this agreement, which is incorporated by reference into this proxy statement/prospectus and is an exhibit to the merger agreement which attached as APPENDIX A to this proxy statement/prospectus.

Indemnification and Insurance

ABC has agreed that all rights to indemnification and all limitations of liability existing in favor of officers and directors of First National, St. Mary s and Orange Park as provided in their respective Articles of Incorporation and Bylaws as in effect on June 30, 2005 with respect to matters occurring prior to or at the effective time of the merger will survive the merger. In addition, ABC has agreed to cause, for a period of three years following the effective time of the merger, the officers and directors of First National to be covered by directors and officers liability insurance comparable to that maintained by First National prior to the merger with carriers comparable to First National s existing carrier and containing terms and conditions no less advantageous in any material respect to the officers and directors of First National. ABC is not, however, required to expend in any one year an amount in excess of 125% of the current annual premiums paid by First National for its directors and officers liability insurance.

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DESCRIPTION OF ABC CAPITAL STOCK

General

ABC s authorized capital stock consists of 30,000,000 shares of common stock, $1.00 par value per share, of which 11,865,600 shares were issued and outstanding as of the record date for the First National annual shareholders meeting, and 5,000,000 shares of preferred stock, none of which are issued and outstanding. ABC has reserved 1,020,000 shares of ABC common stock for issuance pursuant to outstanding options to purchase such shares.

Common Stock

The holders of ABC common stock are entitled to receive dividends when, as and if declared by ABC s board of directors and paid by ABC out of funds legally available therefor and to share ratably in the assets of ABC available for distribution after the payment of all prior claims in the event of any liquidation, dissolution or winding-up of ABC. All outstanding shares of ABC common stock are duly authorized and validly issued, fully paid and nonassessable.

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each of its subsidiary banks and to commit resources to support each such bank. Consistent with this policy, the Federal Reserve Board has stated that, as a matter of prudent banking, a bank holding company generally should not maintain a rate of cash dividends, unless the available net income of the bank holding company is sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with its capital needs, asset quality and overall financial condition.

The ability of ABC to pay cash dividends is currently influenced, and in the future could be further influenced, by bank regulatory policies or agreements and by capital guidelines. Accordingly, the actual amount and timing of future dividends, if any, will depend on, among other things, future earnings, the financial condition of ABC and each of its subsidiary banks, the amount of cash on hand at the holding company level, outstanding debt obligations, if any, and the requirements imposed by regulatory authorities.

Holders of ABC common stock are entitled to one vote per share on all matters requiring a vote of shareholders. The ABC common stock does not have cumulative voting rights, which means that the holders of more than 50% of the outstanding ABC common stock voting for the election of directors can elect 100% of the directors if they choose to do so. In such event, the holders of the remaining ABC common stock will not be able to elect any of the directors.

Preferred Stock

No shares of ABC preferred stock have been issued. ABC s board of directors is authorized to issue the ABC preferred stock, without shareholder approval, in one or more series and to fix and determine, among other things: the dividend payable with respect to such shares of ABC preferred stock, including whether and in what manner such dividend shall be accumulated; whether such shares shall be redeemable and, if so, the prices, terms and conditions of such redemption; the amount payable on such shares in the event of voluntary or involuntary liquidation; the nature of any purchase, retirement or sinking fund provisions; the nature of any conversion rights with respect to such shares; and the extent of the voting rights, if any, of such shares. Certain of such rights may, under certain circumstances, adversely affect the rights or interests of holders of ABC common stock. In addition, the ABC preferred stock may be issued as a defensive device to thwart an attempted hostile takeover of ABC.

Limitation of Directors Liability

ABC s Articles of Incorporation provide that no director of ABC shall be liable to ABC or its shareholders for monetary damages for breach of the duty of care or other duty as a director, except for liability:

for any appropriation, in violation of the director s duties, of any business opportunity of ABC;

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for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

in respect of certain unlawful dividend payments or stock redemptions or repurchases; or

for any transaction from which the director derived an improper personal benefit.

The effect of these provisions is to eliminate the rights of ABC and its shareholders (through shareholders derivative suits on behalf of ABC) to recover monetary damages against a director for breach of fiduciary duty as a director (including breaches resulting from grossly negligent behavior), except in the situations described above. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of ABC pursuant to the foregoing, ABC has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Certain Antitakeover Provisions

The issuance of shares of ABC common stock or ABC preferred stock may place ABC in a position to deter a future takeover attempt that some shareholders may favor. In the event of a proposed merger, tender offer or other attempt to gain control of ABC, it will be possible for ABC s board of directors to authorize the issuance of ABC preferred stock to impede completion of the proposed merger, tender offer or other attempt to gain control. ABC s board of directors, however, did not consider the potential deterrent as a reason for establishing the number of its authorized shares.

ABC s Articles of Incorporation provide that ABC s board of directors be divided into three classes of directors as nearly equal in number as possible. At each annual meeting of shareholders, one class of directors is elected for a three-year term. Classification of directors has the effect of making it more difficult for shareholders to change the composition of ABC s board of directors. At least two annual meetings of shareholders, instead of one, will generally be required to effect a change in the majority of ABC s board of directors. Such classification provisions, therefore, could also have the effect of discouraging a third party from initiating a proxy contest, making a tender offer or otherwise attempting to obtain control of ABC.

On February 23, 1998, ABC s board of directors declared a dividend distribution of one preferred share purchase right on each outstanding share of its common stock. The purchase rights are designed to assure that all ABC shareholders receive fair and equal treatment in the event of any proposed takeover of ABC and to guard against partial tender offers, squeeze-outs, open market accumulations and other abusive tactics to gain control of ABC without paying all ABC shareholders the full value of their investment. The purchase rights will not prevent a takeover; however, they should encourage anyone seeking to acquire ABC to negotiate with ABC s board of directors prior to attempting a takeover.

Transfer Agent

SunTrust Bank, Atlanta currently acts as the transfer agent for the ABC common stock.

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SUPERVISION AND REGULATION

The following discussion sets forth certain of the material elements of the regulatory framework applicable to banks and bank holding companies and provides certain specific information relevant to ABC and First National. A change in applicable statutes, regulations or regulatory policy may have a material effect on the business of ABC.

General

ABC and First National are both bank holding companies registered with the Federal Reserve Board and the Georgia Department of Banking and Finance under The Bank Holding Company Act and The Georgia Bank Holding Company Act, respectively. As a result, our companies are subject to the supervision, examination and reporting requirements of these acts and the regulations of the Federal Reserve Board and the Georgia Department of Banking and Finance issued under these acts. ABC s subsidiary banks are Georgia, Alabama, Florida and Federally-chartered commercial banks, and First National s subsidiary banks are national banks. Each of our bank subsidiaries is insured by the FDIC to the full extent permitted by law. As a result, our banks are subject to the supervision, examination and reporting requirements of the Georgia Department of Banking and Finance, the Alabama State Banking Department, the Florida Department of Banking and Finance, the FDIC and the OCC.

The Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve Board before:

- it may acquire direct or indirect ownership or control of any voting shares of any bank if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% percent of the voting shares of the bank;
- it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or
- it may merge or consolidate with any other bank holding company.

The Bank Holding Company Act further provides that the Federal Reserve Board may not approve any transaction that would result in a monopoly or that would substantially lessen competition in the banking business, unless the public interest in meeting the needs of the communities to be served outweighs the anti-competitive effects. The Federal Reserve Board is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks involved and the convenience and needs of the communities to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues focuses, in part, on the performance under The Community Reinvestment Act of 1977, both of which are discussed in more detail below.

The Bank Holding Company Act generally prohibits a bank holding company from engaging in activities other than:

- banking;

managing or controlling banks or other permissible subsidiaries; and

acquiring or retaining direct or indirect control of any company engaged in any activities other than activities closely related to banking or managing or controlling banks.

The activities in which holding companies and their affiliates are permitted to engage were substantially expanded by The Gramm-Leach-Bliley Act, which was enacted into law in 1999. The Gramm-Leach-Bliley Act repeals the anti-affiliation provisions of The Glass-Steagall Act to permit the common ownership of commercial banks, investment banks and insurance companies. The Gramm-Leach-Bliley Act also amends The Bank

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Holding Company Act to permit a financial holding company to, among other things, engage in any activity that the Federal Reserve Board determines to be (i) financial in nature or incidental to such financial activity or (ii) complementary to a financial activity and not a substantial risk to the safety and soundness of depository institutions or the financial system generally. The Federal Reserve Board must consult with the Secretary of the Treasury in determining whether an activity is financial in nature or incidental to a financial activity. Holding companies may continue to own companies conducting activities which had been approved by federal order or regulation on the day before The Gramm-Leach-Bliley Act was enacted. Effective August 24, 2000, ABC became a financial holding company.

In determining whether a particular activity is permissible, the Federal Reserve Board considers whether performing the activity can be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. The Federal Reserve Board has the power to order a bank holding company or its subsidiaries to terminate any activity or control of any subsidiary when the continuation of the activity or control constitutes a serious risk to the financial safety, soundness or stability of any bank subsidiary of that bank holding company.

Our banks are also subject to numerous state and federal statutes and regulations that affect their business, activities and operations, and each is supervised and examined by one or more state or federal bank regulatory agencies. Our subsidiary banks are subject to regulation, supervision and examination by the FDIC, the OCC, the Georgia Department of Banking and Finance, the Alabama State Banking Department and the Florida Department of Banking and Finance. These regulatory agencies regularly examine the operations of our banks and are given the authority to approve or disapprove mergers, consolidations, the establishment of branches and similar corporate actions. These regulatory agencies also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law.

Payment of Dividends

ABC and First National are legal entities separate and distinct from their bank subsidiaries. Substantially all of ABC s and First National s revenues result from amounts paid as dividends to ABC and First National by their subsidiary banks. Our banking subsidiaries are subject to statutory and regulatory limitations on the payment of dividends to ABC and First National. ABC and First National are also subject to statutory and regulatory limitations on dividend payments to their shareholders.

If, in the opinion of the federal banking regulators, a depository institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice, the regulatory authority may require, after notice and hearing, that the institution cease and desist from the practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution s capital base to an inadequate level would be an unsafe and unsound banking practice. Under the Federal Deposit Insurance Corporation Improvement Act of 1991, a depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. The federal agencies have also issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings. See the section entitled Supervision and Regulation Prompt Corrective Action at page 61.

The Georgia Financial Institutions Code and the Georgia Department of Banking and Finance s regulations provide:

- that dividends of cash or property may be paid only out of the bank s retained earnings;

that dividends may not be paid if the banks paid-in capital and retained earnings which are set aside for dividend payment and other distributions do not, in combination, equal at least 20% of the bank s capital stock; and

that dividends may not be paid without prior approval of the Georgia Department of Banking and Finance if

the bank s total classified assets at its most recent examination exceed 80% of its equity capital;

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- the aggregate amount of dividends to be declared exceeds 50% of the bank s net profits after taxes but before dividends for the previous calendar year; or

- the ratio of equity capital to total adjusted assets is less than 6%.

The payment of dividends by our bank holding companies and our subsidiaries may also be affected or limited by other factors, such as a requirement by a regulatory agency to maintain adequate capital above regulatory guidelines.

Financial Relationship Between ABC and First National and their Subsidiaries

There are also various legal restrictions on the extent to which ABC or First National can borrow or otherwise obtain credit from their banking subsidiaries. In general, these restrictions require that any such extensions of credit must be secured by designated amounts of specified collateral and are limited to 10% of any banking subsidiary s capital stock and surplus.

Under Federal Reserve Board policy, ABC and First National are expected to act as a source of financial strength to their banking subsidiaries and to commit resources to support each banking subsidiary. This support may be required at times when, absent such Federal Reserve Board policy, ABC or First National may not find itself willing or able to provide it.

Any capital loans by a bank holding company to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of the subsidiary bank. In the event of a bank holding company s bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Capital Adequacy

ABC and First National must comply with the Federal Reserve Board s established capital adequacy standards, and our subsidiary banks are required to comply with the capital adequacy standards established by the FDIC and the OCC. The Federal Reserve Board has promulgated two basic measures of capital adequacy for bank holding companies: a risk-based measure and a leverage measure. A bank holding company must satisfy all applicable capital standards to be considered in compliance.

The risk-based capital standards are designed to:

- make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies;

account for off-bal