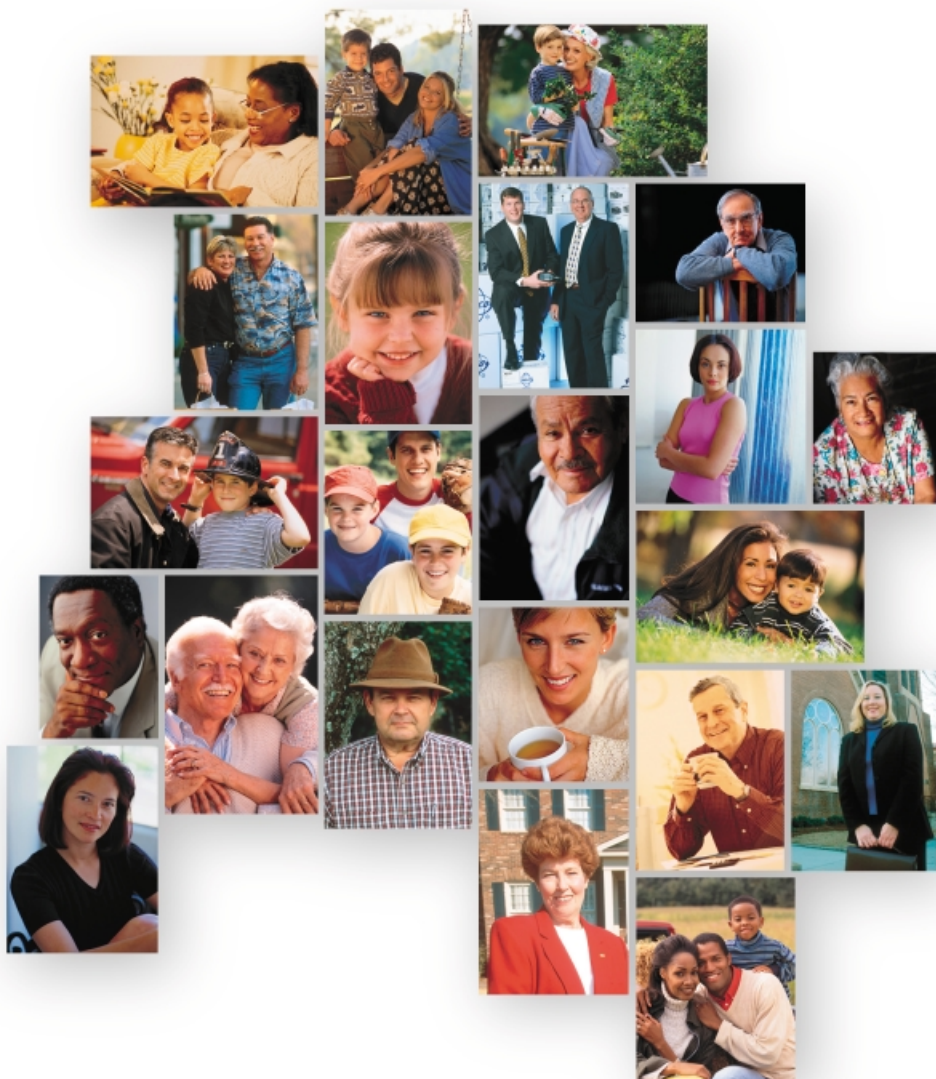


# Lifestyle Banking



2000 ANNUAL REPORT



• Eufaula • Leesburg • Cordele  
• Clayton • Albany • Ocilla  
• Abbeville • Doerun • Tifton • Douglas  
• Headland • Moultrie  
• Donalsonville • Meigs • Coolidge  
• Dothan • Cairo • Thomasville • Troupeville  
• Lake Seminole • Quitman • Valdosta

\* Jekyll Island  
\* St. Simons Island  
\* Brunswick

\* Trenton

## A Future Borne of Relationships

Someone once observed that the future belongs to those who believe in the beauty of their dreams. And though many people would not immediately associate the pragmatic world of financial services with dream-fulfillment, that activity is actually central to our mission – guiding our clients and shareholders toward futures filled with realized dreams and goals.

This mission requires strong personal relationships forged over time and reinforced by trust, respect and performance. In the pages to follow, you will read about some of those relationships. They are real-life people achieving real-life successes. They represent, more than anything, the power of dreams harnessed to solid strategy and hard work.

As we evaluate the past year and advance into the present one, we do so, with specific performance goals designed to maximize success for our existing client and shareholder relationships and to cultivate new ones.

These goals include:

- Becoming a major financial services provider in Georgia, and expanding the ABC Bancorp presence in Alabama and north central Florida.
- Gaining market share by delivering a broad range of superior products and services that combine high technology with "high touch" personal service.
- Delivering consistent annual earnings growth, thus achieving and maintaining a level of profitability consistent with the top quartile of banks as measured by ROA (Return on Assets).
- Attracting, retaining and rewarding a quality team of employees who recognize and pursue our goal of exceptional client service.

These are but a few of our plans for 2001, as we continue to strive for excellence. Because in the final analysis, our business is not only about facts and figures; but also about people and dreams – and the relationships that pave the road to success.

\* Pending Acquisitions



# Table of Contents

Office Location Map & Vision Statement .....	Inside Front Cover
Management's Report to Shareholders .....	Page 2
Selected Financial Data .....	Page 3
Business Advantage Client: <i>Sanders Security, Dothan, Alabama</i> .....	Page 4-5
New Horizons Client: <i>Kayla Tillman, Tifton, Georgia</i> .....	Page 6-7
Portfolio Plus Client: <i>James &amp; Peggy Maddox, Thomasville, Georgia</i> .....	Page 8-9
Preference Plus Client: <i>Lavonda Paulk, Albany, Georgia</i> .....	Page 10-11
ABC Bancorp Board of Directors .....	Page 12
Senior Management & Subsidiary Bank Presidents .....	Page 12
Management's Discussion & Analysis of Financial Condition and Results of Operations .....	Page 13-19
Independent Auditor's Report .....	Page 20
Consolidated Balance Sheets .....	Page 21
Consolidated Statements of Income .....	Page 22
Consolidated Statements of Comprehensive Income .....	Page 23
Consolidated Statements of Stockholders' Equity .....	Page 24-25
Consolidated Statements of Cash Flows .....	Page 26-27
Notes to Consolidated Financial Statements .....	Page 28-56
Executive Officers and Directors & Senior Management .....	Page 57
Officers and Directors - Subsidiary Banks .....	Page 58-59
Market for the Company's Common Stock and Dividends .....	Page 60
Availability of Information .....	Page 60
Annual Meeting of Shareholders .....	Page 60



# Management's Report to Shareholders

We are delighted to report to you that 2000 was a year of promises fulfilled and possibilities realized. We focused on the critical elements of expense control, net interest margin and asset quality. Among other gains, this focus resulted in a net income of \$10,098,000 or \$1.19 per share for the year. Record earnings performance surpassed 1999 earnings of \$8,956,000 or \$1.03 per share. Continued financial strength culminated in the Board of Directors approving our recommendation for a 37% increase in ABC Bancorp's annual dividend to \$0.48 per share.

In addition to record earnings, 2000 also brought substantial improvements in our infrastructure. We continued to gain efficiencies through the relocation of our mortgage, bankcard and a significant portion of our finance functions to our corporate headquarters in Moultrie, Georgia. The rapidly growing market of Valdosta, Georgia, was entered. A new modern facility in Eufaula, Alabama, greatly improved our prospects for growth. External growth plans in the attractive Florida and eastern coastal Georgia markets were put into action with the signing of definitive agreements with Tri-County Bank of Trenton, Florida, and The First Bank of Brunswick in Brunswick, Georgia.

Other prominent achievements include the implementation of a customer needs-based sales and service approach. Building upon this approach, two new product lines were added – brokerage services and trust services. Offering both traditional bank products as well as annuities and mutual funds, allows our employees to maintain the critical personal touch while providing wealth management services second to none.

Looking forward, our plans are continually guided by a balanced approach of core asset growth and external acquisitions. Reaping the rewards of our existing banking network through expense management, controlling interest margins, new fee initiatives and asset quality continue to be cornerstones. We remain confident that our proven performance and core values will continue to attract companies looking to join the ABC Bancorp approach to banking. We present this, our annual report for 2000, with our continued pledge to safety and soundness, profitable growth, and superior personal service for our most valued asset - our shareholders.



Kenneth J. Hunnicutt  
President &  
Chief Executive Officer

Mark D. Thomas  
Executive Vice President &  
Chief Operating Officer

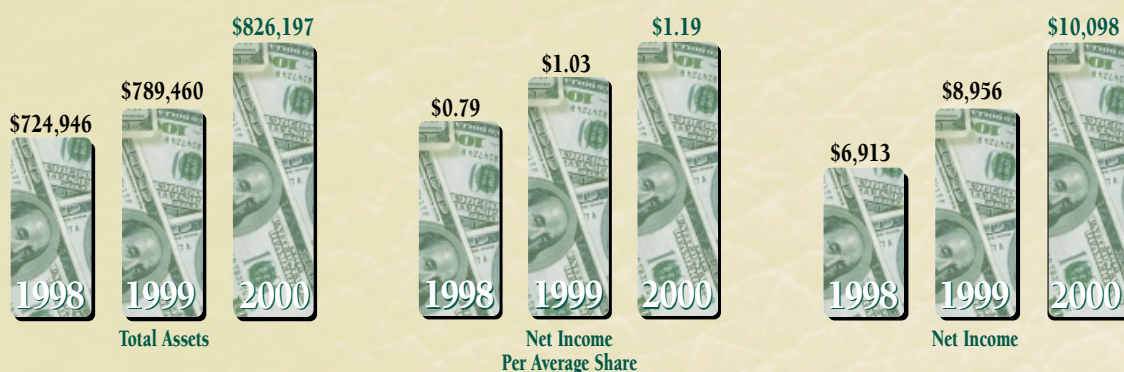


# Selected Financial Data

## ABC Bancorp and Subsidiaries

(Dollars in thousands except per share data)

	2000	1999	1998
<b>EARNINGS SUMMARY</b>			
Net interest income	\$ 38,171	\$ 35,591	\$ 33,773
Provision for loan losses	1,712	2,154	5,505
Non-interest income	8,215	7,752	9,376
Non-interest expense	30,233	27,942	27,996
Income taxes	4,343	4,291	2,735
Net income	<u>\$ 10,098</u>	<u>\$ 8,956</u>	<u>\$ 6,913</u>
<b>PER SHARE SUMMARY</b>			
Common shares outstanding	8,347,008	8,723,867	8,663,478
Weighted average shares	8,460,230	8,701,615	8,698,860
Income per weighted average share - basic	\$ 1.19	\$ 1.03	\$ 0.79
Dividends declared per share	\$ 0.46	\$ 0.35	\$ 0.33
<b>ASSET QUALITY</b>			
Non-performing assets	\$ 5,606	\$ 6,086	\$ 9,382
Net loan charge-offs (recoveries)	\$ 1,775	\$ 2,451	\$ 2,940
Reserve for loan loss to loans	1.67 %	1.87 %	2.14 %
Net loan charge-offs (recoveries) to average loans	0.31 %	0.48 %	0.59 %
Non-performing assets to reserve for loan loss	57.02 %	61.51 %	92.05 %
Non-performing assets to total assets	0.68 %	0.77 %	1.29 %
<b>OTHER KEY DATA</b>			
Net interest rate spread (a)	4.43 %	4.69 %	4.59 %
Net interest margin (a)	5.20 %	5.40 %	5.36 %
Return on average assets	1.27 %	1.23 %	0.99 %
Return on average equity	13.19 %	11.93 %	10.07 %
Efficiency ratio	65.18 %	64.47 %	64.88 %
Book value per share	\$ 9.66	\$ 8.71	\$ 8.29
Tangible book value per share	\$ 8.84	\$ 7.84	\$ 7.32
Stockholders' equity to total assets	9.76 %	9.63 %	9.91 %







CAMCLOSURE  
CAMCLOSURE  
CAMCLOSURE  
CAMCLOSURE  
CAMCLOSURE

CAMCLOSURE  
Systems  
CAMCLOSURE  
Camclosures Series

Pelco CCTV Camera  
Pelco CCTV Camera  
Pelco CCTV Camera  
Pelco CCTV Camera

Pelco CCTV Camera  
Pelco CCTV Camera  
Pelco CCTV Camera  
Pelco CCTV Camera  
Pelco CCTV Camera

**PELCO**  
®

**PELCO**  
®

**PELCO**  
HS0134  
MADE IN U.S.A.

**PELCO**  
HS0134  
MADE IN U.S.A.

**PELCO**  
HS0134  
MADE IN U.S.A.

**PELCO**  
MADE IN U.S.A.

**PELCO**  
®  
PMO



# The Security of Business Advantage...

*John Sanders, President and Scott Sanders, Vice President of Sanders Security, Inc.*

You might say that John Sanders has spent the past 28 years keeping an eye on things. And he's done it very well. In fact, his thriving corporation, Sanders Security, Inc. of Dothan, Alabama, currently names many giants of American industry among its clients. And it all began as a part-time job.

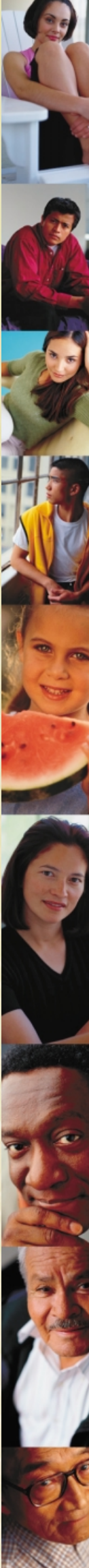
In 1971, while still an employee for Mack Electric, John took an evening job to supplement his growing family's income. During the next several years, John continued to work for Mack during the day, then moonlighted as an installer of radio-intercoms and vacuum systems in the evening. Often he would bring his young son, Scott, along too.

Soon, John's reputation for quality workmanship grew, and he began to add burglar and fire alarm systems to his service repertoire. As this second career blossomed, so did John's desire to own and operate his own company. Finally, in 1990, armed with a line of credit from Southland Bank, John proudly opened the doors of Sanders Security. At his side was his new Vice President -- his son Scott, now a college graduate. The rest, as they say, is history.

Today, Sanders Security has 33 employees and specializes in the design, installation and service of a full range of security, communication and surveillance systems for both commercial and residential clients from Huntsville to Miami, Savannah to Houston. Through it all, Southland Bank has been a silent partner. "They've just been extremely good about working with me. . . When I go in to see them, they respect what I have to say, and everybody knows me. I like that."

Though running the family business still occupies most of their time, both Sanders men are avid sportsmen, and enjoy hunting and fishing in their favorite spots throughout Florida and Alabama. It's a leisure time that has allowed John Sanders to reflect on his life experience. "No matter how great your idea is, if you don't have backing, like Southland Bank has done for us, your idea's not going very far. They've been a true friend to help get us where we're at today."

ABC Bancorp -- providing security and peace of mind for clients like John and Scott Sanders.







TIFTON  
MUSEUM



# A New Horizon in Tifton...

*Kayla Tillman, owner & publisher of Tifton Magazine*

Sometimes you have to see the wider world to realize the truth in that old cliché, "there's no place like home." In the case of Kayla Tillman, home means Georgia. Born in tiny Surrency, in the southeast region of Georgia, Kayla knew early on that she wanted to be a journalist.

Pursuing that dream, she earned a journalism degree from the University of Georgia and quickly gravitated to the turbulent world of national politics. From her base in the National Press Building in Washington, D. C., Kayla helped chronicle newsmakers and events in this stimulating, high-powered environment. Yet, as time went on, Kayla realized where her heart and her life's work really belonged – home in Georgia.

A chance interview soon led to a fateful choice. Offered city editor jobs at newspapers in both Augusta and Tifton, Kayla followed her intuition. "I wanted to live in a small town and I just had a feeling about Tifton . . . that this was where I needed to be." Acting on her hunch, Kayla settled in Tifton and established herself as a respected journalist at the Tifton Gazette.

In 1990, Kayla made the move from newspaper journalist to independent publisher. Partnering with her mother, a newly retired schoolteacher, Kayla began compiling and publishing a local apartment guide. This initial project eventually led to others. Yet their road to success was not without challenges.

"Being young, single and self-employed," Kayla recalls, "can make it difficult to just walk in a bank and ask for a loan. But Citizens Security Bank approved an in-house loan and that has made all the difference. They gave me a real vote of confidence."

Today, Kayla, the proud owner of a recent MBA, also counts as accomplishments her keystone publication, *Tifton Magazine*, as well as numerous newsletters and quarterlies, press releases, an editorial section in the regional telephone directory and more. "Citizens Security Bank has always supported everything I've done – not only as a financial services partner but as an advertiser in my magazine. They've really 'pulled out all the stops' whenever I needed it. You don't forget something like that."

ABC Bancorp – publishing remarkable results for remarkable clients like Kayla Tillman.









# A Coastal Life is their Portfolio...

*James and Peggy Maddox, owners of Radoll Designs, Inc., Thomasville, Ga.*

Chances are, if you use a computer, you're also using one of James and Peggy Maddox's products. And while you probably won't see their name linked with Bill Gates or any of the other high-profile computer gurus, their contribution to the computer industry ranks high on the list of essentials. That's because they manufacture the equipment that is used to produce printed circuit boards or PCBs.

In fact, the story of Radoll Designs reads like a textbook from American Enterprise 101. But it wasn't always that way. James, a Vietnam combat veteran, returned to Thomasville and opened a sawmill. Unfortunately it wasn't a successful venture. "I lost my shirt," James candidly admits. But James Maddox's luck was about to change.

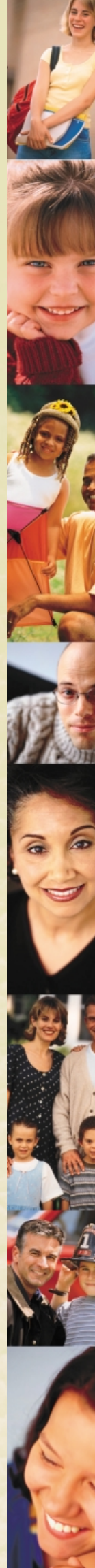
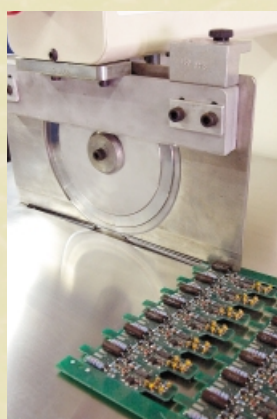
In 1980, Jim went to work as a machinist for Carbide Products in Thomasville to recover from the setback. He quickly learned a whole range of new skills, including the manufacture of PCBs. He also met Peggy, the woman who would become his wife. Once at Carbide, James, in the tradition of canny entrepreneurs, watched, listened and learned. And as the company grew, so did James' responsibilities. But then he suffered another major setback in 1987 when Carbide Products abruptly relocated the company to Chicago. The move northward was never an option for James—that's when he took advantage of his relationship with the Bank of Thomas County. With their help, James arranged to purchase the machinist portion of the business from Carbide and continue the business in Thomasville with his wife Peggy. "They have been receptive to anything I've wanted to do. If I need anything, the Bank of Thomas County has been there for me."

James and Peggy Maddox's company, Radoll, Inc. now supplies PCB materials to American mega-corporations such as IBM, AT&T, and Siemens and distributes worldwide to companies in Europe, India, the Far East and more.

Their success story also includes a family, a home on 15 acres of rambling Georgia countryside, and all the boating and fishing on Mexico Beach that they can squeeze into their busy life.

"It helps to be at the right place at the right time," says James, "but it also helps to have the right relationship with the right financial institution. I do business with the Bank of Thomas County because they treat you like an individual, not a number."

ABC Bancorp – helping build American success stories like clients James and Peggy Maddox.







**LAVONDA PAULK**  
**883-0100**

*Real Estate*  
*Brokers*  
*For Sale Group*  
*Inc.*

**THE ANDERSON CO.**  
**888-5646**

**CONTRACT**  
**PENDING**



# Real Estate is her Preference...

*Lavonda Paulk, Broker Realtor, The Anderson Company*

Every career path is filled with unexpected twists and turns, and an obstacle often turns out to be an opportunity in disguise. Such was the experience of Lavonda Paulk. When she suffered an accident that made the daily operation of her beauty salon all but impossible, this Albany, Georgia, professional did not despair. Instead, she opted for a career change, and in the process, turned misfortune into destiny.

Studying for and receiving her real estate license, Lavonda was determined to succeed in her new vocation. And succeed she did. Now, 21 years later, Lavonda is not only the owner/broker of the Anderson Company Realtors, but is a lifetime member of the Million Dollar Club – garnering that honor for an amazing 19 consecutive years – and was voted the 1998 Realtor of the Year.

The secret of all this success? According to Lavonda, it is persistence, integrity, a ton of hard work and a financial partner that's with you all the way. In Lavonda's case, that partner has been First National Bank of South Georgia. "They have an individual, hometown approach. In my profession, I know how important that personal, one-on-one approach is, and that's why I stay with them."

A dynamic go-getter, Lavonda does not restrict her enthusiasm to career alone. She actively supports the Boys & Girls Club, the Salvation Army, The Bridge, a non-profit charity for the prevention of child abuse, and many others. Here again, she finds support from First National Bank of South Georgia. "They are always ready to help. For example, when the flood that devastated so much of this area in 1994 struck, First National Bank was one of the first organizations to donate funds for victims. I recommend them to newcomers because they have that caring, personal touch."

ABC Bancorp – reaching up and reaching out with clients like Lavonda Paulk.





## ABC Bancorp, Inc. Board of Directors



**From left to right:** Johnny W. Floyd, Robert P. Lynch, Daniel B. Jeter, Eugene M. Vereen, Jr., Kenneth J. Hunnicutt, Doyle Weltzbarker, *Chairman*, Mark D. Thomas, Wycliffe R. Griffin, J. Raymond Fulp, Henry Wortman, John G. Briggs.

## Senior Management & Subsidiary Bank Presidents



**Front Row:** Charles A. Robinson, Mark D. Thomas, C. Larry Young; Marc E. DeMott; Cindi H. Lewis; Jon S. Edwards; Harris O. Pittman, III; Ervin E. Brock; Tim S. Jones; **Second Row:** Edgar B. Smith, III; Edwin W. Hortman, Jr.; O. Leonard Dorminey, Jr.; Alan D. Moore; Ronnie F. Marchant; **Back Row:** John C. Mosely; Robert L. Evans; Kenneth J. Hunnicutt, W. Edwin Lane, Jr., CPA; Michael F. McDonald.



# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Cautionary Statement Regarding Forward-Looking Information

ABC's 2000 Annual Report contains forward-looking statements in addition to historical information. ABC cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995; accordingly, there can be no assurance that such indicated results will be realized.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, ABC is required to note the variety of factors that could cause ABC's actual results and experience to differ materially from the anticipated results or other expectations expressed in ABC's forward-looking statements. These factors include legislative and regulatory initiatives regarding deregulation and restructuring of the banking industry; the extent and timing of the entry of additional competition in ABC's markets; potential business strategies, including acquisitions or dispositions of assets or internal restructuring, that may be pursued by ABC, state and federal banking regulations; changes in or application of environmental and other laws and regulations to which ABC is subject; political, legal and economic conditions and developments; financial market conditions and the results of financing efforts; changes in commodity prices and interest rates; weather, natural disasters and other catastrophic events; and other factors discussed in ABC's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K. The words "believe", "expect", "anticipate", "project", and similar expressions signify such forward-looking statements.

Readers are cautioned not to place undue reliance on any forward-looking statements made by or on behalf of ABC. Any such statement speaks only as of the date the statement was made. ABC undertakes no obligation to update or revise any forward-looking statements. Additional information with respect to factors that may cause results to differ materially from those contemplated by such forward-looking statements is included in the ABC's current and subsequent filings with the Securities and Exchange Commission.

## General

ABC's principal asset is its ownership of the Banks. Accordingly, its results of operations are primarily dependent upon the results of operations of the Banks. The Banks conduct a commercial banking business which consists of attracting deposits from the general public and applying those funds to the origination of commercial, consumer and real estate loans (including commercial loans collateralized by real estate). The Banks' profitability depends primarily on net interest income, which is the difference between interest income generated from interest-earning assets (i.e., loans and investments) less the interest expense incurred on interest-bearing liabilities (i.e., customer deposits and borrowed funds). Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities, and the interest rates paid and earned on these balances. Net interest income is dependent upon the Banks' interest rate spread, which is the difference between the average yield earned on its interest-earning assets and the average rates paid on its interest-bearing liabilities. When interest-earning assets approximates or exceeds interest-bearing liabilities, any positive interest rate spread will generate interest income. The interest rate spread is impacted by interest rates, deposit flows and loan demand. Additionally, and to a lesser extent, the profitability of the Banks is affected by such



## Management's Discussion and Analysis of Financial Condition and Results of Operations (cont.)

factors as the level of noninterest income and expenses, the provision for loan losses and the effective tax rates. Noninterest income consists primarily of service charges on deposit accounts and other fees and income from the sale of loans and investment securities. Noninterest expenses consist of compensation and benefits, occupancy-related expenses, and other operating expenses.

### Results of Operations for Years Ended December 31, 2000, 1999 and 1998

ABC's results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since interest rates are determined by market forces and economic conditions beyond the control of ABC, the ability to generate net interest income is dependent upon the ability of the Banks to obtain an adequate spread between the rates earned on interest-earning assets and the rates paid on interest-bearing liabilities. Thus, the key performance measure for net interest income is the interest margin or net yield, which is taxable-equivalent net interest income divided by average earning assets.

The primary component of consolidated earnings is net interest income, or the difference between interest income on interest-earning assets and interest paid on interest-bearing liabilities. The net interest margin is net interest income expressed as a percentage of average interest-earning assets. Interest-earning assets consist of loans, investment securities and federal funds sold. Interest-bearing liabilities consist of deposits, Federal Home Loan Bank borrowings and other short-term borrowings. A portion of interest income is earned on tax-exempt investments such as state and municipal bonds. In an effort to state this tax-exempt income and its resultant yields on a basis comparable to all other taxable investments, an adjustment is made to present this income on a taxable-equivalent basis.

The net interest margin decreased 20 basis points to 5.20% in 2000 as compared to 5.40% in 1999. This decrease in net interest margin resulted from an increase of 31 basis points in average yield earned on interest-earning assets accompanied by a greater increase of 57 basis points in average rate paid on interest-bearing liabilities. The increase in average rate paid on interest-bearing liabilities resulted from an increase of \$37,450,000 or 11.24% in time deposits to \$370,707,000 in 2000 as compared to \$333,257,000 in 1999. Because the Company was more aggressive in obtaining time deposits, the average rate paid on time deposits increased 58 basis points to 5.84% in 2000 as compared to 5.26% in 1999. The Company also increased its other borrowings, primarily Federal Home Loan Bank advances, \$22,978,000 or 71.04% to \$55,322,000 in 2000 from \$32,344,000 in 1999, with an increase of 117 basis points in average interest paid to 6.55% in 2000 as compared to 5.38% in 1999. Average interest-earning assets increased \$73,259,000 or 10.94% to \$743,011,000 in 2000 as compared to \$669,752,000 in 1999. Average yield earned on interest-earning assets increased 31 basis points to 9.35% in 2000 as compared to 9.04% in 1999. Average loans increased \$64,585,000 or 12.77% to \$570,526,000 in 2000 from \$505,941,000 in 1999. Average yield earned on loans increased 22 basis points to 10.22% as compared to 10.00% in 1999. Average investments increased \$10,197,000 to \$159,168,000 in 2000 from \$148,971,000 in 1999. Average yield earned on investments increased 28 basis points to 6.41% in 2000 as compared to 6.13% in 1999. The change in average interest-bearing deposits in banks and the related yield on those assets did not have a material effect on interest income. Because increasing interest rates had a greater impact on interest paid on interest-bearing liabili-



## Management's Discussion and Analysis of Financial Condition and Results of Operations (cont.)

ties than they had on yield earned on interest-earning assets, ABC's interest rate spread decreased 26 basis points to 4.43% in 2000 from 4.69% in 1999. Net interest income on a taxable-equivalent basis was \$38,665,000 in 2000 as compared to \$36,150,000 in 1999, representing an increase of \$2,515,000 or 6.96%. The increase in average interest-earning assets was funded by an increase in average deposits of \$40,665,000 or 6.63% and an increase in average borrowings of \$24,091,000. In 2000, approximately 14% of the average deposits were non-interest-bearing deposits as compared to approximately 15% in 1999.

The net interest margin increased four basis points to 5.40% in 1999 as compared to 5.36% in 1998. This increase in net interest margin resulted from a decrease of 44 basis points in average yield earned on interest-earning assets accompanied by a decrease of 54 basis points in average rate paid on interest-bearing liabilities. Because declining interest rates had a greater favorable impact on interest paid on interest-bearing liabilities than they had on yield earned on interest-earning assets, ABC actually increased its interest rate spread ten basis points to 4.69% in 1999 from 4.59% in 1998. Net interest income on a taxable-equivalent basis was \$36,150,000 in 1999 as compared to \$34,386,000 in 1998, representing an increase of \$1,764,000 or 5.13%. Average interest-earning assets increased \$27,951,000 or 4.35% to \$669,752,000 in 1999 from \$641,801,000 in 1998. Average loans increased \$10,520,000; average investments, including interest-bearing deposits in banks, increased \$19,361,000; and average federal funds sold decreased \$1,005,000. The increase in average interest-earning assets was funded by an increase in average deposits of \$6,288,000 or 1.04% to \$613,327,000 in 1999 from \$607,039,000 in 1998. In 1999 and 1998, approximately 15% and 14%, respectively, of the average deposits were noninterest-bearing deposits.

The allowance for loan losses represents a reserve for potential losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated periodically based on a review of all significant loans, with a particular emphasis on nonaccruing, past due and other loans that management believes require attention. ABC segregates its loan portfolio by type of loan and utilizes this segregation in evaluating exposure to risks within the portfolio. In addition, based on internal reviews and external reviews performed by independent auditors and regulatory authorities, ABC further segregates its loan portfolio by loan classifications within each type of loan based on an assessment of risk for a particular loan or group of loans. Certain reviewed loans require specific allowances. Allowances are provided for other types and classifications of loans based on anticipated loss rates. Allowances are also provided for loans that are reviewed by management and considered creditworthy and loans for which management determines no review is required. In establishing allowances, management considers historical loan loss experience with an emphasis on current loan quality trends, current economic conditions and other factors in the markets where the subsidiary banks operate. Factors considered include among others, unemployment rates, effect of weather on agriculture and significant local economic events, such as major plant closings.

The provision for loan losses is a charge to earnings in the current period to replenish the allowance and maintain it at a level management has determined to be adequate. The provision for loan losses charged to earnings amounted to \$1,712,000 in 2000, \$2,154,000 in 1999 and \$5,505,000 in 1998. Due to adverse economic conditions in early 1998, it became apparent that several agriculturally related loans and commercial business loans were not performing according to the loan agreements. Management intensified its efforts to identify those non-performing loans, to charge off loans that were considered in the loss category and to adequately reserve for other loans determined to be at risk. During 1999 net loan charge-offs decreased \$489,000 or 16.63% to \$2,451,000



## Management's Discussion and Analysis of Financial Condition and Results of Operations (cont.)

as compared to \$2,940,000 in 1998. During 2000 net loan charge-offs decreased \$676,000 or 27.58% to \$1,775,000 as compared to \$2,451,000 in 1999. Due to the improvement in the quality of the loan portfolio, which resulted from management's efforts to resolve problem loan situations, management determined that the provision for loan losses in 2000 and 1999 could be significantly reduced from the provision recorded in 1998. During 2000, average loans increased \$64,585,000 or 12.12% over 1999 as compared to an increase in average loans of \$10,520,000 or 2.12% in 1999 as compared to 1998. The allowance for loan losses decreased \$63,000 or .64% to \$9,832,000 at December 31, 2000 from \$9,895,000 at December 31, 1999. Net charge-offs represented 103.68% of the provision for loan losses in 2000 as compared to 113.79% in 1999. Net loan charge-offs for 2000 represented .31% of average loans outstanding during the year as compared to .48% for 1999 and .59% for 1998. At December 31, 2000, the allowance for loan losses was 1.67% of total loans outstanding as compared to an allowance for loan losses of 1.87% of total loans outstanding at December 31, 1999 and 2.14% of total loans outstanding at December 31, 1998. The determination of the allowance rests upon management's judgment about factors affecting loan quality and assumptions about the local and national economy. Management considers the year-end allowance for loan losses adequate to cover potential losses in the consolidated loan portfolio.

Average total assets increased \$68,258,000 or 9.35% to \$798,221,000 in 2000 as compared to \$729,963,000 in 1999. The increase in average total assets was accompanied by an increase in average deposits of \$40,665,000 or 6.63% and an increase of average borrowings of \$24,091,000. Average total assets increased \$29,869,000 or 4.27% to \$729,963,000 in 1999 as compared to \$700,094,000 in 1998. The increase in average total assets was accompanied by an increase in average total deposits of \$6,288,000 or 5.39% to \$613,327,000 in 1999 from \$607,039,000 in 1998 and an increase in average borrowings of \$19,678,000.

### Noninterest Income

Service charges on deposit accounts increased \$697,000 or 12.24% to \$6,393,000 in 2000 as compared to \$5,696,000 in 1999 on an increase in average deposits of \$40,665,000 or 6.63% to \$653,992,000 in 2000 from \$613,327,000 in 1999. The increase in service charges on deposit accounts was attributable primarily to the increase in average deposits. Service charges on deposit accounts decreased \$24,000 or .42% to \$5,696,000 in 1999 as compared to \$5,720,000 in 1998 on an increase in average deposits of \$6,288,000 to \$613,327,000 in 1999 from \$607,039,000 in 1998. The decrease in service charges on deposit accounts was attributable to the introduction of new products to meet increased competition in the Company's market areas. Certain of these products reduced service charge income. For example, overdraft protection extended to customers reduces the amount of income generated from insufficient check charges or overdraft charges. A portion of this decrease in other income is offset by an increase in interest and fees on loans. Origination fees on mortgage loans decreased \$383,000 or 48.64% to \$405,000 in 2000 as compared to \$788,000 in 1999. This decrease is attributable to the decrease in mortgage lending activities, particularly the refinancing of mortgage loans, resulting from the stabilization of interest rates during 2000. In comparison, origination fees on mortgage loans decreased \$95,000 or 10.76% in 1999 as compared with 1998 due to the increase in interest rates on mortgage loans during 1999. In 1998, ABC recognized nontaxable income of \$1,200,000 in life insurance benefits upon the death of a former officer and director of a subsidiary bank. This nonrecurring transaction represented 12.37% of total noninterest income in 1998 and 17.36% of consolidated net income for 1998. All other noninterest income increased



## Management's Discussion and Analysis of Financial Condition and Results of Operations (cont.)

\$58,000 or 4.27% to \$1,417,000 in 2000 as compared to \$1,359,000 in 1999. All other noninterest income increased \$214,000 or 13.60% to \$1,359,000 in 1999 as compared to \$1,573,000 in 1998. The decrease in other noninterest income was attributable to a decrease of \$143,000 in net gains and losses on the sale of fixed assets and other real estate and a decrease of \$68,000 in gain on sale the of loans.

Following is a comparison of noninterest income for 2000, 1999 and 1998.

	<b>Year Ended December 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Dollars in Thousands)</b>		
Service charges on deposit accounts	<b>\$ 6,393</b>	\$ 5,696	\$ 5,720
Mortgage origination fees	<b>405</b>	788	883
Other service charges, commissions and fees	<b>622</b>	423	506
Nontaxable life insurance benefits	-	-	1,200
Other income	<b>795</b>	936	1,067
	<b><u>\$ 8,215</u></b>	<b><u>\$ 7,843</u></b>	<b><u>\$ 9,376</u></b>

### Noninterest Expense

Salaries and employee benefits increased \$1,534,000 or 10.30% to \$16,420,000 in 2000 from \$14,886,000 in 1999. Salaries increased \$547,000 (4.98%); bonuses increased \$468,000 (47.76%); retirement expense increased \$242,000 (34.23%); and all other employee benefits, including stock options and other grants, insurance and payroll taxes, increased \$277,000 (12.44%). Stock options and other grants increased \$192,000. Salaries and employee benefits increased \$861,000 or 6.14% to \$14,886,000 in 1999 from \$14,025,000 in 1998. This increase was attributable to an increase of 14 full-time employees and five part-time employees during 1999 and to normal increases in salaries and employee benefits.

Equipment and occupancy expense remained fairly constant during 2000, 1999 and 1998. Equipment and occupancy expense increased \$147,000 or 3.51% to \$4,338,000 in 2000 as compared to \$4,191,000 in 1999. The increase in 2000 was attributable to an increase in depreciation expense of \$201,000 over depreciation expense for 1999. Equipment and occupancy expense decreased \$129,000, or 2.99%, to \$4,191,000 in 1999 as compared to \$4,320,000 in 1998. This decrease in expense was attributable primarily to a decrease of \$155,000 in depreciation expense.

Amortization of intangible assets remained the same in 2000 as the amount charged to expense in 1999. Amortization of intangible assets decreased \$47,000 in 1999 as compared to 1998 as a result of the completion of amortization of core deposits acquired in an earlier bank acquisition.

Data processing fees increased \$456,000 to \$1,147,000 in 2000 as compared to \$691,000 in 1999. Approximately \$200,000 of the increase was attributable to management's decision in 2000 to classify certain charges as data processing fees that were charged to other expense in 1999 and 1998. The reclassification of these charges in 1999 and 1998 to data processing fees was not considered necessary.



## Management's Discussion and Analysis of Financial Condition and Results of Operations (cont.)

In addition, ABC installed voice response units in all the Banks that accounted for an increase of approximately \$84,000 in 2000. Also, a billing error in 1999 resulted in the payment of an additional \$100,000 in 2000 that related to data processing fees in 1999. There were no significant change in data processing fees charged to expense in 1999 as compared to 1998.

Following is an analysis of noninterest expense for 2000, 1999 and 1998.

	<b>Year Ended December 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Dollars in Thousands)</b>		
Salaries and employee benefits	<b>\$ 16,420</b>	\$ 14,886	\$ 14,025
Equipment and occupancy	<b>4,338</b>	4,191	4,320
Amortization of intangible assets	<b>804</b>	804	851
Data processing fees	<b>1,147</b>	691	774
Other expense	<b>7,524</b>	7,370	8,026
	<b>\$ 30,233</b>	\$ 27,942	\$ 27,996

### Liquidity and Capital Resources

Liquidity management involves the matching of the cash flow requirements of customers, who may be either depositors desiring to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs, and the ability of ABC and the Banks to meet those needs. ABC and the Banks seek to meet liquidity requirements primarily through management of short-term investments (principally interest-bearing deposits in banks and available for sale securities due in one year or less) and monthly amortizing loans. Another source of liquidity is the repayment of maturing single payment loans. In addition, the Banks maintain relationships with correspondent banks which could provide funds to them on short notice, if needed.

The liquidity and capital resources of ABC and the Banks are monitored on a periodic basis by state and federal regulatory authorities. At December 31, 2000, the Banks' short-term investments were adequate to cover any reasonable anticipated immediate need for funds. During 2000, ABC increased its total capital by retaining net earnings of \$6,223,000 after payment of dividends. After recording an increase in capital of \$2,192,000 for unrealized gains on securities available for sale, net of taxes, an increase of \$387,000 for restricted stock transactions, and a decrease in capital of \$4,162,000 for repurchase of treasury shares, by \$4,640,000 during 2000. At December 31, 2000, total capital of ABC amounted to \$80,656,000. ABC and the Subsidiary Banks are aware of no events or trends likely to result in a material change in their liquidity.

In early 2001, the Company entered into definitive merger agreements with two financial institutions for the acquisition of all of the outstanding stock of a bank holding company located in Georgia and a commercial bank located in Florida in exchange for a combination of cash and the Company's common stock. The mergers are subject to the approval of the shareholders of both financial institutions and certain regulatory authorities and the registration of the Company's common stock in the case of the pending merger with the bank holding company. If these mergers are approved and consummated as planned, the total merger consideration will approximate \$30.4 mil-



## Management's Discussion and Analysis of Financial Condition and Results of Operations (cont.)

lion, of which approximately \$13.4 million will be paid in cash and approximately 1,620,000 shares of the Company's common stock exchanged for the remaining shares of the two target companies. The Company intends to obtain the funds required for the cash consideration from its primary correspondent bank under debt agreements to be repaid over five years.

At December 31, 2000, ABC had binding commitments for capital expenditures of approximately \$2,150,000.

In accordance with risk capital guidelines issued by the Federal Reserve Board, ABC is required to maintain a minimum standard of total capital to risk-weighted assets of 8%. Additionally, all member banks must maintain "core" or "Tier 1" capital of at least 4% of total assets ("leverage ratio"). Member banks operating at or near the 4% capital level are expected to have well-diversified risks, including no undue interest rate risk exposure, excellent control systems, good earnings, high asset quality, and well managed on- and off-balance sheet activities; and, in general, be considered strong banking organizations with a composite 1 rating under the CAMEL rating system of banks. For all but the most highly rated banks meeting the above conditions, the minimum leverage ratio is to be 4% plus an additional 100 to 200 basis points.

The following table summarizes the regulatory capital levels of the Company at December 31, 2000 .

	<b>Actual</b>		<b>Required</b>		<b>Excess</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
	<b>(Dollars in Thousands)</b>					
Leverage capital	<b>\$ 79,954</b>	<b>9.86 %</b>	\$ 32,422	4.00 %	\$ 47,532	5.86 %
Risk-based capital:						
Core capital	<b>79,954</b>	<b>13.34</b>	23,967	4.00	55,987	9.34
Total capital	<b>87,544</b>	<b>14.61</b>	47,935	8.00	39,609	6.61

Each Bank also met its individual regulatory capital requirements at December 31, 2000.



To the Board of Directors

ABC Bancorp

Moultrie, Georgia

We have audited the accompanying consolidated balance sheets of ABC Bancorp and Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABC Bancorp and Subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with generally accepted accounting principles.

*Mauldin & Jenkins, LLC*

Albany, Georgia

January 23, 2001, except for note 17 as to  
which the date is February 23, 2001



# Consolidated Balance Sheets

DECEMBER 31, 2000 AND 1999

(Dollars in Thousands)

	<u>2000</u>	<u>1999</u>
<b><u>Assets</u></b>		
Cash and due from banks	\$ 38,411	\$ 47,399
Interest-bearing deposits in banks	4,952	32,731
Securities available for sale, at fair value	162,105	146,990
Loans	587,381	530,225
Less allowance for loan losses	9,832	9,895
Loans, net	<u>577,549</u>	<u>520,330</u>
Premises and equipment, net	19,703	19,540
Excess of cost over net assets of banks acquired	6,832	7,636
Other assets	16,645	14,834
	<u>\$ 826,197</u>	<u>\$ 789,460</u>
<b><u>Liabilities and Stockholders' Equity</u></b>		
Deposits		
Noninterest-bearing	\$ 94,917	\$ 103,279
Interest-bearing	584,968	537,379
Total deposits	679,885	640,658
Federal funds purchased and securities sold under agreements to repurchase	2,653	397
Other borrowings	55,350	66,150
Other liabilities	7,653	6,239
Total liabilities	<u>745,541</u>	<u>713,444</u>
<b><u>Commitments and contingent liabilities</u></b>		
<b><u>Stockholders' equity</u></b>		
Common stock, par value \$1; 15,000,000 shares authorized; 9,137,990 and 9,098,690 shares issued	9,138	9,099
Capital surplus	29,237	28,854
Retained earnings	48,411	42,188
Accumulated other comprehensive income (loss)	685	(1,507)
Unearned compensation	(595)	(560)
	<u>86,876</u>	<u>78,074</u>
Less cost of shares acquired for the treasury, 790,982 and 374,823 shares	(6,220)	(2,058)
Total stockholders' equity	<u>80,656</u>	<u>76,016</u>
	<u>\$ 826,197</u>	<u>\$ 789,460</u>

See Notes to Consolidated Financial Statements.



# Consolidated Statements of Income

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(Dollars in Thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Interest income</b>			
Interest and fees on loans	\$ 58,328	\$ 50,603	\$ 51,584
Interest on taxable securities	8,750	7,488	6,313
Interest on nontaxable securities	959	1,086	1,190
Interest on deposits in other banks	939	814	1,077
Interest on federal funds sold	-	-	53
	<u>68,976</u>	<u>59,991</u>	<u>60,217</u>
<b>Interest expense</b>			
Interest on deposits	26,753	22,424	25,411
Interest on other borrowings	4,052	1,976	1,033
	<u>30,805</u>	<u>24,400</u>	<u>26,444</u>
Net interest income	38,171	35,591	33,773
<b>Provision for loan losses</b>	<u>1,712</u>	<u>2,154</u>	<u>5,505</u>
Net interest income after provision for loan losses	<u>36,459</u>	<u>33,437</u>	<u>28,268</u>
<b>Other income</b>			
Service charges on deposit accounts	6,393	5,696	5,720
Other service charges, commissions and fees	622	423	506
Mortgage origination fees	405	788	883
Non-taxable life insurance benefits	-	-	1,200
Loss on sale of securities	-	(91)	-
Other	795	936	1,067
	<u>8,215</u>	<u>7,752</u>	<u>9,376</u>
<b>Other expenses</b>			
Salaries and employee benefits	16,420	14,886	14,025
Equipment expense	2,484	2,348	2,442
Occupancy expense	1,854	1,843	1,878
Amortization of intangible assets	804	804	851
Data processing fees	1,147	691	774
Other operating expenses	7,524	7,370	8,026
	<u>30,233</u>	<u>27,942</u>	<u>27,996</u>
Income before income taxes	14,441	13,247	9,648
<b>Applicable income taxes</b>	<u>4,343</u>	<u>4,291</u>	<u>2,735</u>
Net income	<u>\$ 10,098</u>	<u>\$ 8,956</u>	<u>\$ 6,913</u>
<b>Income per common share - Basic</b>	<u>\$ 1.19</u>	<u>\$ 1.03</u>	<u>\$ 0.79</u>
<b>Income per common share - Diluted</b>	<u>\$ 1.19</u>	<u>\$ 1.03</u>	<u>\$ 0.79</u>

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Comprehensive Income

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(Dollars in Thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Net income</b>	<b>\$ 10,098</b>	\$ 8,956	\$ 6,913
<b>Other comprehensive income (loss):</b>			
Net unrealized holding gains (losses) arising during period, net of tax (benefits) of \$1,129, (\$973) and \$32	<b>2,192</b>	(1,889)	80
Reclassification adjustment for losses included in the net income, net of tax of \$31	-	60	-
<b>Total other comprehensive income (loss)</b>	<b><u>2,192</u></b>	<u>(1,829)</u>	<u>80</u>
<b>Comprehensive income</b>	<b><u>\$ 12,290</u></b>	<u>\$ 7,127</u>	<u>\$ 6,993</u>

See Notes to Consolidated Financial Statements



# Consolidated Statements of Stockholder's Equity

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(Dollars in Thousands)

	Common Stock		Capital Surplus
	Shares	Par Value	
<b>Balance, December 31, 1997</b>	7,524,718	\$ 7,525	\$ 29,677
Net Income	-	-	-
Cash dividends declared, \$.33 per share	-	-	-
Net treasury stock transactions	-	-	-
Other comprehensive income	-	-	-
<b>Balance, December 31, 1998</b>	<u>7,524,718</u>	<u>7,525</u>	<u>29,677</u>
Net income	-	-	-
Cash dividends declared, \$.35 per share	-	-	-
Six-for-five stock split	1,516,142	1,516	(1,516)
Issuance of restricted shares of common stock under employee incentive plan	57,830	58	693
Amortization of unearned compensation, net of forfeitures	-	-	-
Net treasury stock transactions	-	-	-
Other comprehensive loss	-	-	-
<b>Balance, December 31, 1999</b>	<u>9,098,690</u>	<u>9,099</u>	<u>28,854</u>
Net income	-	-	-
Cash dividends declared, \$.46 per share	-	-	-
Issuance of restricted shares of common stock under employee incentive plan	39,300	39	383
Amortization of unearned compensation, net of forfeitures	-	-	-
Net treasury stock transactions	-	-	-
Other comprehensive income	-	-	-
<b>Balance, December 31, 2000</b>	<u>9,137,990</u>	<u>\$ 9,138</u>	<u>\$ 29,237</u>

See Notes to Consolidated Financial Statements.

Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	Treasury Stock		Total
			Shares	Cost	
\$ 32,264	\$ 242	\$ -	272,353	\$ (1,555)	\$ 68,153
6,913	-	-	-	-	6,913
(2,897)	-	-	-	-	(2,897)
-	-	-	32,800	(415)	(415)
-	80	-	-	-	80
<u>36,280</u>	<u>322</u>	<u>-</u>	<u>305,153</u>	<u>(1,970)</u>	<u>71,834</u>
8,956	-	-	-	-	8,956
(3,048)	-	-	-	-	(3,048)
-	-	-	62,470	-	-
-	-	(751)	-	-	-
-	-	191	-	-	191
-	-	-	7,200	(88)	(88)
-	(1,829)	-	-	-	(1,829)
<u>42,188</u>	<u>(1,507)</u>	<u>(560)</u>	<u>374,823</u>	<u>(2,058)</u>	<u>76,016</u>
10,098	-	-	-	-	10,098
(3,875)	-	-	-	-	(3,875)
-	-	(422)	-	-	-
-	-	387	-	-	387
-	-	-	416,159	(4,162)	(4,162)
-	2,192	-	-	-	2,192
<u>\$ 48,411</u>	<u>\$ 685</u>	<u>\$ (595)</u>	<u>790,982</u>	<u>\$ (6,220)</u>	<u>\$ 80,656</u>



# Consolidated Statements of Cash Flows

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(Dollars in Thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>OPERATING ACTIVITIES</b>			
Net income	<u>\$ 10,098</u>	<u>\$ 8,956</u>	<u>\$ 6,913</u>
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	<b>2,189</b>	1,988	2,143
Amortization of intangible assets	<b>804</b>	804	851
Amortization of unearned compensation	<b>387</b>	191	-
Net losses on sale of securities available for sale	-	91	-
Net (gains) losses on sale or disposal of premises and equipment	<b>7</b>	36	(188)
Gain from life insurance benefits	-	-	(1,200)
Provision for loan losses	<b>1,712</b>	2,154	5,505
Provision for deferred taxes	<b>(634)</b>	(87)	(1,170)
(Increase) decrease in interest receivable	<b>(1,970)</b>	(75)	1,271
Increase (decrease) in interest payable	<b>578</b>	57	(38)
Decrease in taxes receivable	-	526	-
Increase (decrease) in taxes payable	<b>(1)</b>	328	(485)
Other prepaids, deferrals and accruals, net	<b>371</b>	(378)	663
Total adjustments	<u><b>3,443</b></u>	<u>5,635</u>	<u>7,352</u>
Net cash provided by operating activities	<u><b>13,541</b></u>	<u>14,591</u>	<u>14,265</u>
<b>INVESTING ACTIVITIES</b>			
(Increase) decrease in interest-bearing deposits in banks	<b>27,779</b>	(18,314)	(12,129)
Purchases of securities available for sale	<b>(26,961)</b>	(70,410)	(110,362)
Purchases of securities held to maturity	-	-	(400)
Proceeds from maturities of securities available for sale	<b>15,167</b>	58,994	67,936
Proceeds from sale of securities available for sale	-	17,149	-
Proceeds from maturities of securities held to maturity	-	3,283	11,807
Decrease in federal funds sold	-	-	890
(Increase) decrease in loans, net	<b>(58,931)</b>	(55,482)	10,110
Purchase of premises and equipment	<b>(2,359)</b>	(2,631)	(2,383)
Proceeds from sale of premises and equipment	-	-	708
Proceeds from life insurance benefits	-	-	1,671
Net cash used in investing activities	<u><b>(45,305)</b></u>	<u>(67,411)</u>	<u>(32,152)</u>

# Consolidated Statements of Cash Flows

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

(Dollars in Thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>FINANCING ACTIVITIES</b>			
Increase in deposits	\$ 39,227	\$ 7,333	\$ 32,614
Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	2,256	(486)	223
Proceeds from other borrowings	<b>109,800</b>	338,950	5,500
Repayment of other borrowings	<b>(120,600)</b>	(284,650)	(9,050)
Dividends paid	<b>(3,745)</b>	(2,898)	(2,900)
Purchase of treasury shares	<b>(4,162)</b>	(88)	(415)
Net cash provided by financing activities	<u>22,776</u>	<u>58,161</u>	<u>25,972</u>
Net increase (decrease) in cash and due from banks	<b>(8,988)</b>	5,341	8,085
Cash and due from banks at beginning of year	<u>47,399</u>	<u>42,058</u>	<u>33,973</u>
Cash and due from banks at end of year	<u><b>\$ 38,411</b></u>	<u>\$ 47,399</u>	<u>\$ 42,058</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash paid during the year for:			
Interest	\$ 30,227	\$ 24,343	\$ 26,482
Income taxes	\$ 4,978	\$ 3,524	\$ 4,390
<b>NONCASH TRANSACTION</b>			
Transfer of securities held to maturity to securities available for sale	\$ -	\$ 15,330	\$ -

See Notes to Consolidated Financial Statements.



# NOTE 1. Summary of Significant Accounting Policies

## Nature of Business

ABC Bancorp, (the "Company") is a multi-bank holding company whose business is presently conducted by its subsidiary banks (the "Banks"). Through the Banks, the Company operates a full service banking business and offers a broad range of retail and commercial banking services to its customers located in a market area which includes South Georgia and Southeast Alabama. The Company and the Banks are subject to the regulations of certain federal and state agencies and are periodically examined by those regulatory agencies.

## Basis of Presentation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of foreclosed real estate and deferred taxes.

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

## Cash, Due from Banks and Cash Flows

For purposes of reporting cash flows, cash and due from banks includes cash on hand, cash items in process of collection and amounts due from banks. Cash flows from loans, federal funds sold, deposits, interest-bearing deposits and federal funds purchased are reported net.

The Company maintains amounts due from banks which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

## Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at amortized cost. Securities not classified as held-to-maturity, including equity securities with readily determinable fair values, are classified as available-for-sale and recorded at fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Equity securities, including restricted stock, without a readily determinable fair value are classified as available-for-sale and recorded at cost.

As of December 31, 1999, the Company transferred all debt securities classified as securities held to maturity to securities available for sale.

## Summary of Significant Accounting Policies (Cont.)

### Securities (continued)

Interest and dividends, including amortization of premiums and accretion of discounts, are included in interest income. Gains and losses on the sale of securities are determined using the specific identification method. Declines in the fair value of any security below its cost that is deemed to be other than temporary is reflected in earnings as realized losses.

### Loans

Loans are reported at their outstanding unpaid principal balances less unearned income, deferred fees or costs on originated loans, and the allowance for loan losses. Interest income is accrued on the unpaid principal balance.

Loan origination fees, net of certain direct origination costs of consumer and instalment loans are recognized at the time the loan is placed on the books. Because these loan fees are not significant and the majority of loans have maturities of one year or less, the results of operations are not materially different than the results which would be obtained by accounting for loan fees and costs in accordance with generally accepted accounting principles. Loan origination fees net of certain direct loan origination costs for all other loans are deferred and recognized as an adjustment of the yield over the life of the loan.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due, unless the loan is well-secured. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Interest income on nonaccrual loans is subsequently recognized only to the extent cash payments are received until the loans are returned to accrual status.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance when management believes the collectibility of the principal is unlikely. Subsequent recoveries are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses in the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses, and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.



## Summary of Significant Accounting Policies (Cont.)

### Loans (continued)

A loan is considered impaired when it is probable the Bank will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

### Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation computed principally on the straight-line method over the estimated useful lives of the assets.

### Other Real Estate Owned

Other real estate owned (OREO) represents properties acquired through foreclosure or other proceedings. OREO is held for sale and is carried at the lower of the recorded amount of the loan or fair value of the properties less estimated costs of disposal. Any write-down to fair value at the time of transfer to OREO is charged to the allowance for loan losses. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value and valuation allowances to reduce the carrying amount to fair value less estimated costs to dispose are recorded as necessary. Subsequent decreases in fair value and increases in fair value, up to the value established at foreclosure, are recognized as charges or credits to noninterest expense. OREO is reported net of allowance for losses in the Company's financial statements. The carrying amount of other real estate owned at December 31, 2000 and 1999 was \$620,000 and \$461,000, respectively.

### Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

### Intangible Assets

Intangible assets, arising from excess of purchase price over net assets acquired of purchased banks, are being amortized on the straight-line method over various periods not exceeding 25 years for banks acquired prior to 1996. Excess acquisition cost of Southland Bank acquired in 1996 and the Douglas branch of Citizens Security Bank acquired in 1997 are being amortized on the straight-line method over 15 years.

## Summary of Significant Accounting Policies (Cont.)

### Income Taxes

Income tax expense consists of current and deferred taxes. Current income tax provisions approximate taxes to be paid or refunded for the applicable year. Deferred tax assets and liabilities are recognized on the temporary differences between the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements. Deferred tax expense or benefit is then recognized for the change in deferred tax assets or liabilities between periods.

Recognition of deferred tax balance sheet amounts is based on management's belief that it is more likely than not that the tax benefit associated with certain temporary differences, tax operating loss carry-forwards, and tax credits will be realized. A valuation allowance is recorded for those deferred tax items for which it is more likely than not that realization will not occur.

The Company and its subsidiaries file a consolidated income tax return. Each subsidiary provides for income taxes based on its contribution to income taxes (benefits) of the consolidated group.

### Stock Compensation Plans

Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued under the Company's stock option plan have no intrinsic value at the grant date, and under Opinion No. 25 no compensation cost is recognized for them. The Company has elected to continue with the accounting methodology in Opinion No. 25 and, as a result, has provided pro forma disclosures of net income and earnings per share and other disclosures, as if the fair value based method of accounting had been applied.

### Earnings Per Share

Basic earnings per common share are computed by dividing net income by the weighted-average number of shares of common stock outstanding. Diluted earnings per common share are computed by dividing net income after adjustments for the after-tax income effect of the issuance of potential common shares that are dilutive by the sum of the weighted-average number of shares of common stock outstanding and potential common shares. The weighted-average number of shares outstanding for the years ended at December 31, 2000, 1999, and 1998 was 8,460,230; 8,701,615; and 8,698,860, respectively. The weighted-average number of shares outstanding and potential shares for the years ended December 31, 2000, 1999 and 1998 was 8,465,669; 8,710,685; and 8,713,177, respectively.



## Summary of Significant Accounting Policies (Cont.)

### Earnings Per Share (continued)

The weighted average shares and potential common shares for 1998 have been adjusted to reflect the six-for-five split effected in the form of a 20% stock dividend to shareholders of record as of December 15, 1999.

### Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

### Recent Developments

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, effective for fiscal years beginning after June 15, 2000. This Statement establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other contracts, and requires that an entity recognize all derivatives as assets or liabilities in the balance sheet and measure them at fair value. If certain conditions are met, an entity may elect to designate a derivative as follows: (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of an unrecognized firm commitment, an available-for-sale security, a foreign currency denominated forecasted transaction, or a net investment in a foreign corporation. The Statement generally provides for matching the timing of the recognition of the gain or loss on derivatives designated as hedging instruments with the recognition of the changes in the fair value of the item being hedged. Depending on the type of hedge, such recognition will be in either net income or other comprehensive income. For a derivative not designated as a hedging instrument, changes in fair value will be recognized in net income in the period of change. Management is currently evaluating the impact of adopting this Statement on the financial statements, but does not anticipate that it will have a material impact.

### Reclassification of Certain Items

Certain items in the consolidated financial statements as of and for the years ended December 31, 1999 and 1998 have been reclassified, with no effect on net income, to be consistent with the classifications adopted for the year ended December 31, 2000.

## NOTE 2. Investments in Securities

As permitted by Financial Accounting Standards Board Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities", the Company elected on December 31, 1999, to transfer all debt securities classified as securities held to maturity to securities available for sale. Upon election, the Company transferred debt securities with a market value of \$15,420,000 to securities available for sale. These securities were marked to fair value resulting in a net unrealized gain of \$90,000 which was included in stockholders' equity at \$59,000, net of related taxes of \$31,000.

The amortized cost and fair value of securities are summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
	<u>(Dollars in Thousands)</u>			
<b>Securities Available for Sale</b>				
<b>December 31, 2000:</b>				
<b>U. S. Government and</b>				
<b>agency securities</b>	\$ 60,467	\$ 892	\$ (173)	\$ 61,186
<b>State and municipal securities</b>	19,206	330	(68)	19,468
<b>Corporate debt securities</b>	6,101	114	(85)	6,130
<b>Mortgage-backed securities</b>	71,160	563	(502)	71,221
<b>Equity securities</b>	647	-	(33)	614
<b>Restricted equity securities</b>	3,486	-	-	3,486
	<u>\$ 161,067</u>	<u>\$ 1,899</u>	<u>\$ (861)</u>	<u>\$ 162,105</u>
 December 31, 1999:				
<b>U. S. Government and</b>				
agency securities	\$ 49,741	\$ 9	\$ (939)	\$ 48,811
State and municipal securities	20,059	209	(134)	20,134
Corporate debt securities	4,449	-	(105)	4,344
Mortgage-backed securities	70,700	122	(1,345)	69,477
Marketable equity securities	872	-	(100)	772
Restricted equity securities	3,452	-	-	3,452
	<u>\$ 149,273</u>	<u>\$ 340</u>	<u>\$ (2,623)</u>	<u>\$ 146,990</u>



## Investments in Securities (Cont.)

The amortized cost and fair value of debt securities as of December 31, 2000 by contractual maturity are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without penalty. Therefore, these securities are not included in the maturity categories in the following maturity summary.

	<b>Securities Available for Sale</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
	<b>(Dollars in Thousands)</b>	
Due in one year or less	\$ 19,747	\$ 19,701
Due from one year to five years	28,205	28,400
Due from five to ten years	36,394	37,204
Due after ten years	1,428	1,479
Mortgage-backed securities	71,160	71,221
Equity securities	647	614
Restricted equity securities	<u>3,486</u>	<u>3,486</u>
	<u>\$ 161,067</u>	<u>\$ 162,105</u>

Securities with a carrying value of \$82,568,979 and \$78,388,000 at December 31, 2000 and 1999, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

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

	<b>December 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Dollars in Thousands)</b>		
Gross gains on sales of securities	\$ -	\$ 4	\$ -
Gross losses on sales of securities	-	(95)	-
Net realized (losses) on sales of securities available for sale	<u>\$ -</u>	<u>\$ (91)</u>	<u>\$ -</u>

## NOTE 3. Loans and Allowance for Loan Losses

The composition of loans is summarized as follows:

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
	<b>(Dollars in Thousands)</b>	
Commercial and financial	<b>\$ 109,647</b>	\$ 83,385
Agricultural	<b>34,840</b>	29,694
Real estate - construction	<b>14,046</b>	13,228
Real estate - mortgage, farmland	<b>57,253</b>	59,018
Real estate - mortgage, commercial	<b>160,456</b>	150,075
Real estate - mortgage, residential	<b>128,614</b>	117,936
Consumer installment loans	<b>76,076</b>	59,529
Other	<b>6,449</b>	17,360
	<b>587,381</b>	530,225
Allowance for loan losses	<b>9,832</b>	9,895
	<b>\$ 577,549</b>	\$ 520,330

The following is a summary of information pertaining to impaired loans as of and for the years ended:

	<b>December 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Dollars in Thousands)</b>		
Impaired loans without a valuation allowance	<b>\$ -</b>	\$ -	\$ -
Impaired loans with a valuation allowance	<b>4,863</b>	5,551	8,767
Total impaired loans	<b>\$ 4,863</b>	\$ 5,551	\$ 8,767
Valuation allowance related to impaired loans	<b>\$ 1,020</b>	\$ 953	\$ 1,846
Average investment in impaired loans	<b>\$ 5,603</b>	\$ 6,447	\$ 12,730
Interest income recognized on impaired loans	<b>\$ 51</b>	\$ 21	\$ 160
Foregone interest income on impaired loans	<b>\$ 541</b>	\$ 593	\$ 1,160



## Loans and Allowance for Loan Losses (Cont.)

In the ordinary course of business, the Company has granted loans to certain directors, executive officers, and their affiliates. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan. Changes in related party loans for the years ended December 31, 2000 and 1999 are as follows:

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
	<b>(Dollars in Thousands)</b>	
<b>Balance, beginning of year</b>	<b>\$ 27,457</b>	\$ 19,356
Advances	<b>28,802</b>	21,527
Repayments	<b>(23,082)</b>	(13,031)
Transactions due to change(s) in related parties	<b>3,144</b>	(395)
<b>Balance, end of year</b>	<b>\$ 36,321</b>	\$ 27,457

Changes in the allowance for loan losses for the years ended December 31, 2000, 1999, and 1998 are as follows:

	<b>December 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Dollars in Thousands)</b>		
<b>Balance, beginning of year</b>	<b>\$ 9,895</b>	\$ 10,192	\$ 7,627
Provision charged to operations	<b>1,712</b>	2,154	5,505
Loans charged off	<b>(2,594)</b>	(3,733)	(4,030)
Recoveries of loans previously charged off	<b>819</b>	1,282	1,090
<b>Balance, end of year</b>	<b>\$ 9,832</b>	\$ 9,895	\$ 10,192

## NOTE 4. Premises and Equipment, Net

Premises and equipment are summarized as follows:

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
	<b>(Dollars in Thousands)</b>	
Land	\$ 4,857	\$ 4,903
Buildings	16,604	14,776
Equipment	17,419	15,977
Construction in progress, estimated cost to complete; \$2,150	471	1,502
	<b>39,351</b>	<b>37,158</b>
Accumulated depreciation	19,648	17,618
	<b>\$ 19,703</b>	<b>\$ 19,540</b>

## NOTE 5. Deposits

The aggregate amount of time deposits in denominations of \$100,000 or more at December 31, 2000 and 1999 was \$120,670,000 and \$95,282,000, respectively. The scheduled maturities of time deposits at December 31, 2000 are as follows:

	<b>(Dollars in Thousands)</b>
2001	\$ 345,864
2002	22,319
2003	9,012
2004	3,574
2005	2,927
Later years	17
	<b>\$ 383,713</b>

## NOTE 6. Employee Benefit Plans

Prior to 1998, the Company and its subsidiaries maintained simplified employee pension plans for substantially all employees. These plans were SEP-IRA defined contribution plans.

Effective January 1, 1998, the Company established two retirement plans to replace the simplified employee pension plans. The ABC Bancorp 401(k) Profit Sharing Plan allows a participant to defer a portion of his compensation and provides that the Company will match a portion of the deferred compensation. The plan also provides for nonelective and discretionary contributions to be made at the sole discretion of the Company. The ABC Bancorp Money Purchase Pension Plan was established to supplement a participant's income upon retirement. The Plan is fully funded by the Company. The Plan provides for a fixed rate of contribution, currently 5%, of the participant's eligible compensation.

## Employee Benefit Plans (Cont.)

The rate of contribution is established by the Compensation Committee of ABC Bancorp's Board of Directors. The Plan must be amended to change the fixed rate of 5% established by the Compensation Committee in December 1997. All full-time and part-time employees are eligible to participate in both plans provided they have met the eligibility requirements. Generally, a participant must have completed twelve months of employment with a minimum of 1,000 hours. Aggregate expense under the two plans charged to operations during 2000, 1999 and 1998 amounted to \$949,000, \$707,000 and \$644,000, respectively.

## NOTE 7. Deferred Compensation Plans

The Company and two subsidiary banks have entered into separate deferred compensation arrangements with certain executive officers and directors. The plans call for certain amounts payable at retirement, death or disability. The estimated present value of the deferred compensation is being accrued over the remaining expected term of active employment. The Company and Banks have purchased life insurance policies which they intend to use to finance this liability. Aggregate compensation expense under the plans were \$75,000, \$70,000 and \$78,000 for 2000, 1999 and 1998, respectively, and is included in other operating expenses.



## NOTE 8. Other Borrowings

Other borrowings consist of the following:

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
	<b>(Dollars in Thousands)</b>	
Advances under revolving credit agreement with SunTrust Bank with interest at sixty-day LIBOR rate plus .9% (7.46% at December 31, 2000) due on May 31, 2001; unsecured.	<b>\$ 2,000</b>	\$ 2,500
Advances from Federal Home Loan Bank with interest at adjustable rates (ranging from 6.48% to 6.93% at December 31, 2000) due at various dates from January 31, 2001 to September 8, 2009.	<b>53,100</b>	25,350
Advance from Federal Home Loan Bank with interest at a fixed rate (6.48% at December 31, 2000) due in annual installments of \$50,000 through June 6, 2005.	<b>250</b>	300
Advances from Federal Home Loan Bank with interest at a fixed rate (ranging from 5.63% to 5.98%) due at various dates from January 31, 2000 to June 15, 2000.	-	15,000
Advances from Federal Home Loan Bank with interest at a fixed rate (ranging from 5.07% to 5.52%), convertible to a variable rate at option of Federal Home Loan Bank in 2000, due at various dates from April 2, 2003 to October 29, 2009.	-	23,000
	<b><u>\$ 55,350</u></b>	<b><u>\$ 66,150</u></b>

The advances from Federal Home Loan Bank are collateralized by the pledging of first mortgage loans and other specific loans.

Other borrowings at December 31, 2000 have maturities in future years as follows:

	<b>(Dollars in Thousands)</b>
2001	\$ 29,150
2002	1,050
2003	50
2004	50
2005	15,050
Later years	10,000
	<b><u>\$ 55,350</u></b>

## NOTE 9. Income Taxes

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

	<b>Years Ended December 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Dollars in Thousands)</b>		
Current	<b>\$ 4,977</b>	\$ 4,378	\$ 3,905
Deferred	<b>(634)</b>	(87)	(1,170)
	<b><u>\$ 4,343</u></b>	<u>\$ 4,291</u>	<u>\$ 2,735</u>

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

	<b>Years Ended December 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>(Dollars in Thousands)</b>		
Tax at federal income tax rate	<b>\$ 4,910</b>	\$ 4,504	\$ 3,280
Increase (decrease) resulting from:			
Tax-exempt interest	<b>(497)</b>	(392)	(407)
Amortization of excess cost over assets acquired	<b>162</b>	167	167
Tax-exempt life insurance proceeds	-	-	(408)
Other	<b>(232)</b>	12	103
Provision for income taxes	<b><u>\$ 4,343</u></b>	<u>\$ 4,291</u>	<u>\$ 2,735</u>

## Income Taxes (Cont.)

Net deferred income tax assets of \$2,710,000 and \$3,981,000 at December 31, 2000 and 1999, respectively, are included in other assets. The components of deferred income taxes are as follows:

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
	<b>(Dollars in Thousands)</b>	
<b>Deferred Tax Assets</b>		
Loan loss reserves	\$ 3,343	\$ 3,040
Deferred compensation	196	171
Unearned compensation related to restricted stock	196	66
Nonaccrual interest	216	193
Net operating loss tax carryforward	164	188
Unrealized loss on securities available for sale	-	776
	<u>4,115</u>	<u>4,434</u>
<b>Deferred Tax Liabilities:</b>		
Depreciation and amortization	276	453
Unrealized gain on securities available for sale	1,129	-
	<u>1,405</u>	<u>453</u>
<b>Net deferred tax assets</b>	<u>\$ 2,710</u>	<u>\$ 3,981</u>

## NOTE 10. Stock Option Plans

The Company has two fixed stock option plans under which it has granted options to its Chief Executive Officer to purchase common stock at the fair market price on the date of grant. All of the options are intended to be incentive stock options qualifying under Section 422 of the Internal Revenue Code for favorable tax treatment. Under the 1992 Plan, options to purchase 10,001 shares were granted. None of these options have been exercised, however, all of the options were exercisable as of December 31, 2000. Options under the 1992 Plan expire in 2002. Under the 1997 Plan, options to purchase 67,500 shares were granted. Options under the 1997 Plan are fully vested and are exercisable over a period of ten years subject to certain limitations as to aggregate fair market value (determined as of the date of the grant) of all options exercisable for the first time by the optionee during any calendar year (the "\$100,000 Per-Year Limitation"). Under the 1997 Plan, options to purchase 34,050 shares were exercisable as of December 31, 2000.



## Stock Option Plans (Cont.)

At the annual meeting on April 15, 1997, the shareholders approved the ABC Bancorp Omnibus Stock Ownership and Long-Term Incentive Plan (the "Omnibus Plan"). Awards granted under the Omnibus Plan may be in the form of Qualified or Nonqualified Stock Options, Restricted Stock, Stock Appreciation Rights ("SARS"), Long-Term Incentive Compensation Units consisting of a combination of cash and Common Stock, or any combination thereof within the limitations set forth in the Omnibus Plan. The Omnibus Plan provides that the aggregate number of shares of the Company's Common Stock which may be subject to award may not exceed 637,500 subject to adjustment in certain circumstances to prevent dilution. As of December 31, 2000, the Company has issued a total of 108,696 restricted shares under the Omnibus Plan as compensation for certain key salaried employees. These shares carry dividend and voting rights. Sale of these shares is restricted prior to the date of vesting, which is three years from the date of the grant. Shares issued under this plan were recorded at their fair market value on the date of their grant with a corresponding charge to equity. The unearned portion is being amortized as compensation expense on a straight-line basis over the related vesting period. Compensation expense related to these grants was \$387,000 and \$191,000 for 2000 and 1999, respectively. In addition to the granting of restricted shares, options to purchase 162,052 shares of the Company's common stock have been granted under the Omnibus Plan as of December 31, 2000.

A summary of the status of the three fixed plans at December 31, 2000, 1999 and 1998 and changes during the years ended on those dates is as follows:

	December 31,					
	2000		1999		1998	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
Under option, beginning of the year	159,151	\$ 11.40	115,966	\$ 12.18	77,501	\$ 10.45
Granted	86,000	10.30	51,280	10.02	42,274	15.66
Exercised	-	-	-	-	-	-
Forfeited	(5,598)	11.79	(8,095)	13.74	(3,809)	15.66
Under option, end of year	<u>239,553</u>	<u>11.00</u>	<u>159,151</u>	11.40	<u>115,966</u>	12.18
Exercisable at end of year	<u>65,781</u>		<u>41,260</u>		<u>26,651</u>	
Weighted-average fair value per option of options granted during year		<u>\$ 1.78</u>		<u>\$ 2.97</u>		<u>\$ 3.41</u>

## Stock Option Plans (Cont.)

A further summary about options outstanding at December 31, 2000 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted- Average Contractual Life in Years	Weighted- Average Exercise Price	Number Outstanding	Weighted- Average Exercise Price	
\$ 4.50	10,001	2.0	\$ 4.50	10,001	\$ 4.50	
11.33	67,500	6.3	11.33	34,050	11.33	
15.94	25,775	7.0	15.94	9,975	15.94	
14.17	6,000	7.3	14.17	2,400	14.17	
10.39	600	8.1	10.39	120	10.39	
9.90	25,777	8.1	9.90	5,155	9.90	
10.11	18,000	8.3	10.11	3,600	10.11	
10.83	2,400	8.9	10.83	480	10.83	
10.38	75,500	9.1	10.38	-	-	
10.00	2,000	9.4	10.00	-	-	
9.94	3,000	9.5	9.94	-	-	
8.75	3,000	9.9	8.75	-	-	
	<u>239,553</u>	7.59	11.00	<u>65,781</u>	10.91	

As permitted by Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), the Company recognizes compensation cost for stock-based employee compensation awards in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees". The Company recognized no compensation cost under the fixed stock option plan for the years ended December 31, 2000, 1999 and 1998. If the Company had recognized compensation cost in accordance with SFAS No. 123, net income and net income per share would have been reduced as follows:

	December 31,					
	2000		1999		1998	
	Net Income	Basic Net Income Per Share	Net Income	Basic Net Income Per Share	Net Income	Basic Net Income Per Share
As reported	\$ 10,098	\$ 1.19	\$ 8,956	\$ 1.03	\$ 6,913	\$ 0.79
Stock based compensation, net of related tax effect	(33)	-	(13)	-	(18)	-
As adjusted	<u>\$ 10,065</u>	<u>\$ 1.19</u>	<u>\$ 8,943</u>	<u>\$ 1.03</u>	<u>\$ 6,895</u>	<u>\$ 0.79</u>

	December 31,					
	2000		1999		1998	
	Net Income	Diluted Net Income Per Share	Net Income	Diluted Net Income Per Share	Net Income	Diluted Net Income Per Share
As reported	\$ 10,098	\$ 1.19	\$ 8,956	\$ 1.03	\$ 6,913	\$ 0.79
Stock based compensation, net of related tax effect	(33)	-	(13)	-	(18)	-
As adjusted	<u>\$ 10,065</u>	<u>\$ 1.19</u>	<u>\$ 8,943</u>	<u>\$ 1.03</u>	<u>\$ 6,895</u>	<u>\$ 0.79</u>

## Stock Option Plans (Cont.)

The fair value of the options granted in 2000 was based upon the discounted value of future cash flows of the options using the following assumptions:

Risk-free interest rate	5.76%
Expected life of the options	10 years
Expected dividends (as a percent of the fair value of the stock)	4.57%
Expected volatility	17.34%

## NOTE 11. Earnings Per Common Share

The following is a reconciliation of net income (the numerator) and the weighted average shares outstanding (the denominator) used in determining basic and diluted earnings per share. All amounts are presented in thousands, except per share amounts.

	Year Ended December 31, 2000		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic earnings per share</b>			
Net income	\$ 10,098	8,460	\$ 1.19
<b>Effect of Dilutive Securities</b>			
Stock options	-	5	
<b>Dilutive earnings per share</b>			
Net income	\$ 10,098	8,465	\$ 1.19

	Year Ended December 31, 1999		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic earnings per share</b>			
Net income	\$ 8,956	8,702	\$ 1.03
<b>Effect of Dilutive Securities</b>			
Stock options	-	9	
<b>Dilutive earnings per share</b>			
Net income	\$ 8,956	8,711	\$ 1.03

	Year Ended December 31, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic earnings per share</b>			
Net income	\$ 6,913	8,699	\$ 0.79
<b>Effect of Dilutive Securities</b>			
Stock options	-	14	
<b>Dilutive earnings per share</b>			
Net income	\$ 6,913	8,713	\$ 0.79



## NOTE 12. Commitments and Contingent Liabilities

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

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

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
	<b>(Dollars in Thousands)</b>	
Commitments to extend credit	<b>\$ 75,007</b>	\$ 84,150
Credit card commitments	<b>10,471</b>	9,162
Standby letters of credit	<b>5,179</b>	3,415
	<b><u>\$ 90,657</u></b>	<u>\$ 96,727</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer.

Credit card commitments are unsecured.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Collateral is required in instances which the Company deems necessary.

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

## NOTE 13. Concentrations of Credit

The Banks make agricultural, agribusiness, commercial, residential and consumer loans to customers primarily in counties in south Georgia and southeast Alabama. A substantial portion of the Company's customers' abilities to honor their contracts is dependent on the business economy in the geographical area served by the Banks.

Although the Company's loan portfolio is diversified, there is a relationship in this region between the agricultural economy and the economic performance of loans made to nonagricultural customers. The Company's lending policies for agricultural and nonagricultural customers require loans to be well-collateralized and supported by cash flows. Collateral for agricultural loans include equipment, crops, livestock and land. Credit losses from loans related to the agricultural economy is taken into consideration by management in determining the allowance for loan losses.

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

The Company has a concentration of funds on deposit at its primary correspondent bank at December 31, 2000, as follows:

Noninterest-bearing accounts	\$ <u>28,937</u>
------------------------------	------------------

## NOTE 14. Regulatory Matters

The Banks are subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2000, approximately \$9,500,000 of retained earnings were available for dividend declaration without regulatory approval.

The Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Banks must meet specific capital guidelines that involve quantitative measures of the assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Banks capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Banks to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets and of Tier I capital to average assets. Management believes, as of December 31, 2000, the Banks meet all capital adequacy requirements to which they are subject.

As of December 31, 2000, the most recent notification from the regulatory authorities categorized the Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Banks must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Banks' category.



## Regulatory Matters (Cont.)

The Banks' actual capital amounts and ratios are presented in the following table.

	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
(Dollars in Thousands)						
<b>As of December 31, 2000</b>						
<b>Total Capital</b>						
<b>to Risk Weighted Assets:</b>						
Consolidated	\$ 87,544	14.61 %	\$ 47,935	8.00 %	---N/A---	
American Banking Company	\$ 14,877	12.43 %	\$ 9,574	8.00 %	\$ 11,967	10.00 %
Heritage Community Bank	\$ 5,195	10.88 %	\$ 3,819	8.00 %	\$ 4,774	10.00 %
Bank of Thomas County	\$ 3,282	11.65 %	\$ 2,253	8.00 %	\$ 2,816	10.00 %
Citizens Security Bank	\$ 12,486	13.75 %	\$ 7,263	8.00 %	\$ 9,079	10.00 %
Cairo Banking Company	\$ 7,147	13.49 %	\$ 4,237	8.00 %	\$ 5,297	10.00 %
Southland Bank	\$ 17,024	13.36 %	\$ 10,194	8.00 %	\$ 12,742	10.00 %
Central Bank and Trust	\$ 5,122	12.26 %	\$ 3,342	8.00 %	\$ 4,178	10.00 %
First National Bank of						
South Georgia	\$ 6,443	10.44 %	\$ 4,936	8.00 %	\$ 6,170	10.00 %
Merchants and Farmers Bank	\$ 4,766	14.56 %	\$ 2,618	8.00 %	\$ 3,273	10.00 %
<b>Tier I Capital</b>						
<b>to Risk Weighted Assets:</b>						
Consolidated	\$ 79,954	13.34 %	\$ 23,967	4.00 %	--- N/A ---	
American Banking Company	\$ 13,378	11.18 %	\$ 4,787	4.00 %	\$ 7,180	6.00 %
Heritage Community Bank	\$ 4,624	9.69 %	\$ 1,910	4.00 %	\$ 2,864	6.00 %
Bank of Thomas County	\$ 2,929	10.40 %	\$ 1,126	4.00 %	\$ 1,690	6.00 %
Citizens Security Bank	\$ 11,319	12.47 %	\$ 3,631	4.00 %	\$ 5,447	6.00 %
Cairo Banking Company	\$ 6,477	12.23 %	\$ 2,119	4.00 %	\$ 3,178	6.00 %
Southland Bank	\$ 15,381	12.07 %	\$ 5,097	4.00 %	\$ 7,645	6.00 %
Central Bank and Trust	\$ 4,596	11.00 %	\$ 1,671	4.00 %	\$ 2,507	6.00 %
First National Bank of						
South Georgia	\$ 5,672	9.19 %	\$ 2,468	4.00 %	\$ 3,702	6.00 %
Merchants and Farmers Bank	\$ 4,355	13.31 %	\$ 1,309	4.00 %	\$ 1,964	6.00 %
<b>Tier I Capital</b>						
<b>to Average Assets:</b>						
Consolidated	\$ 79,954	9.86 %	\$ 32,422	4.00 %	--- N/A ---	
American Banking Company	\$ 13,378	8.79 %	\$ 6,091	4.00 %	\$ 7,614	5.00 %
Heritage Community Bank	\$ 4,624	8.03 %	\$ 2,302	4.00 %	\$ 2,877	5.00 %
Bank of Thomas County	\$ 2,929	7.64 %	\$ 1,534	4.00 %	\$ 1,917	5.00 %
Citizens Security Bank	\$ 11,319	7.98 %	\$ 5,672	4.00 %	\$ 7,091	5.00 %
Cairo Banking Company	\$ 6,477	8.41 %	\$ 3,079	4.00 %	\$ 3,849	5.00 %
Southland Bank	\$ 15,381	8.37 %	\$ 7,350	4.00 %	\$ 9,187	5.00 %
Central Bank and Trust	\$ 4,596	7.48 %	\$ 2,456	4.00 %	\$ 3,070	5.00 %
First National Bank of						
South Georgia	\$ 5,672	8.04 %	\$ 2,822	4.00 %	\$ 3,527	5.00 %
Merchants and Farmers Bank	\$ 4,355	8.92 %	\$ 1,954	4.00 %	\$ 2,442	5.00 %

## Regulatory Matters (Cont.)

	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
(Dollars in Thousands)						
As of December 31, 1999						
Total Capital						
to Risk Weighted Assets:						
Consolidated	\$ 76,167	14.37 %	\$ 42,402	8.00 %	--- N/A ---	
American Banking Company	\$ 13,533	13.45 %	\$ 8,049	8.00 %	\$ 10,062	10.00 %
Heritage Community Bank	\$ 4,443	12.07 %	\$ 2,945	8.00 %	\$ 3,682	10.00 %
Bank of Thomas County	\$ 3,232	13.52 %	\$ 1,912	8.00 %	\$ 2,390	10.00 %
Citizens Security Bank	\$ 12,771	15.14 %	\$ 6,747	8.00 %	\$ 8,433	10.00 %
Cairo Banking Company	\$ 6,829	15.61 %	\$ 3,501	8.00 %	\$ 4,376	10.00 %
Southland Bank	\$ 14,398	12.11 %	\$ 9,511	8.00 %	\$ 11,889	10.00 %
Central Bank and Trust	\$ 5,429	14.72 %	\$ 2,950	8.00 %	\$ 3,687	10.00 %
First National Bank of						
South Georgia	\$ 5,681	11.20 %	\$ 4,058	8.00 %	\$ 5,073	10.00 %
Merchants and Farmers Bank	\$ 4,110	12.27 %	\$ 2,680	8.00 %	\$ 3,350	10.00 %
Tier I Capital						
to Risk Weighted Assets:						
Consolidated	\$ 69,501	13.11 %	\$ 21,201	4.00 %	--- N/A ---	
American Banking Company	\$ 12,269	12.19 %	\$ 4,025	4.00 %	\$ 6,037	6.00 %
Heritage Community Bank	\$ 3,982	10.82 %	\$ 1,473	4.00 %	\$ 2,209	6.00 %
Bank of Thomas County	\$ 2,932	12.27 %	\$ 956	4.00 %	\$ 1,434	6.00 %
Citizens Security Bank	\$ 11,709	13.88 %	\$ 3,373	4.00 %	\$ 5,060	6.00 %
Cairo Banking Company	\$ 6,272	14.33 %	\$ 1,750	4.00 %	\$ 2,625	6.00 %
Southland Bank	\$ 13,389	10.85 %	\$ 4,935	4.00 %	\$ 7,402	6.00 %
Central Bank and Trust	\$ 4,963	13.46 %	\$ 1,475	4.00 %	\$ 2,212	6.00 %
First National Bank of						
South Georgia	\$ 5,047	9.95 %	\$ 2,029	4.00 %	\$ 3,044	6.00 %
Merchants and Farmers Bank	\$ 3,690	11.02 %	\$ 1,340	4.00 %	\$ 2,010	6.00 %
Tier I Capital						
to Average Assets:						
Consolidated	\$ 69,501	9.16 %	\$ 30,350	4.00 %	--- N/A ---	
American Banking Company	\$ 12,269	8.66 %	\$ 5,667	4.00 %	\$ 7,084	5.00 %
Heritage Community Bank	\$ 3,982	7.62 %	\$ 2,090	4.00 %	\$ 2,613	5.00 %
Bank of Thomas County	\$ 2,932	8.20 %	\$ 1,430	4.00 %	\$ 1,788	5.00 %
Citizens Security Bank	\$ 11,709	8.30 %	\$ 5,643	4.00 %	\$ 7,054	5.00 %
Cairo Banking Company	\$ 6,272	8.30 %	\$ 3,023	4.00 %	\$ 3,778	5.00 %
Southland Bank	\$ 13,389	7.52 %	\$ 7,122	4.00 %	\$ 8,902	5.00 %
Central Bank and Trust	\$ 4,963	8.70 %	\$ 2,282	4.00 %	\$ 2,853	5.00 %
First National Bank of						
South Georgia	\$ 5,047	8.49 %	\$ 2,378	4.00 %	\$ 2,972	5.00 %
Merchants and Farmers Bank	\$ 3,690	7.76 %	\$ 1,902	4.00 %	\$ 2,378	5.00 %

## Regulatory Matters (Cont.)

### NOTE 15. Fair Value of Financial Instruments

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. SFAS 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

#### Cash, Due From Banks, Interest-Bearing Deposits, and Federal Funds Sold:

The carrying amounts of cash, due from banks, interest-bearing deposits in banks, and federal funds sold/purchased approximate fair values.

#### Securities:

Fair values for securities are based on available quoted market prices. The carrying values of equity securities with no readily determinable fair value approximate fair values.



## **Fair Value of Financial Instruments** (Cont.)

### **Loans:**

For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. For other loans, the fair values are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values.

### **Deposits:**

The carrying amounts of demand deposits, savings deposits, and variable-rate certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

### **Accrued Interest:**

The carrying amounts of accrued interest approximate their fair values.

## Fair Value of Financial Instruments (Cont.)

### Off-Balance-Sheet Instruments:

Fair values of the Company's off-balance-sheet financial instruments are based on fees currently charged to enter into similar agreements. Since the majority of the Company's off-balance-sheet instruments consist of nonfee-producing, variable-rate commitments, the Company has determined they do not have a distinguishable fair value.

The carrying value and estimated fair value of the Company's financial instruments were as follows:

	December 31, 2000		December 31, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in Thousands)			
<b>Financial assets:</b>				
Cash and short-term investments	\$ 43,363	\$ 43,363	\$ 80,130	\$ 80,130
Investments in securities	\$ 162,105	\$ 162,105	\$ 146,990	\$ 146,990
Loans	\$ 587,381	\$ 576,607	\$ 530,225	\$ 529,093
Allowance for loan losses	9,832	-	(9,895)	-
Loans, net	\$ 577,549	\$ 576,607	\$ 520,330	\$ 529,093
Accrued interest receivable	\$ 11,091	\$ 11,091	\$ 9,121	\$ 9,121
<b>Financial liabilities:</b>				
Deposits	\$ 679,885	\$ 680,844	\$ 640,658	\$ 640,216
Federal funds purchased and securities sold under agreements to repurchase	\$ 2,653	\$ 2,653	\$ 397	\$ 397
Other borrowings	\$ 55,350	\$ 55,432	\$ 66,150	\$ 64,625
Accrued interest payable	\$ 3,265	\$ 3,265	\$ 2,687	\$ 2,687

## NOTE 16. Condensed Financial Information of ABC Bancorp (Parent Company Only)

### CONDENSED BALANCE SHEETS

DECEMBER 31, 2000 AND 1999

(Dollars in Thousands)

	<u>2000</u>	<u>1999</u>
<b>Assets</b>		
Cash	\$ 1,912	\$ 2,102
Interest bearing deposits in banks	-	1,200
Investment in subsidiaries	75,290	69,162
Other assets	<u>7,761</u>	<u>7,672</u>
Total assets	<u>\$ 84,963</u>	<u>\$ 80,136</u>
<b>Liabilities</b>		
Other borrowings	\$ 2,000	\$ 2,500
Other liabilities	<u>2,307</u>	<u>1,620</u>
Total liabilities	<u>4,307</u>	<u>4,120</u>
<b>Stockholders' equity</b>	<u>80,656</u>	<u>76,016</u>
Total liabilities and stockholders' equity	<u>\$ 84,963</u>	<u>\$ 80,136</u>



## NOTE 16. Condensed Financial Information of ABC Bancorp (Parent Company Only) (Cont.)

### CONDENSED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (Dollars in Thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Income</b>			
Dividends from subsidiaries	\$ 7,645	\$ 5,582	\$ 8,942
Interest	52	94	69
Fee income	8,424	6,804	6,702
Other income	645	967	962
Total income	<u>16,766</u>	<u>13,447</u>	<u>16,675</u>
<b>Expense</b>			
Interest	174	170	223
Amortization and depreciation	935	721	636
Other expense	9,716	7,990	7,597
Total expense	<u>10,825</u>	<u>8,881</u>	<u>8,456</u>
Income before income tax benefits and equity in undistributed earnings (distributions in excess of earnings) of subsidiaries	5,941	4,566	8,219
<b>Income tax benefits</b>	<u>621</u>	<u>200</u>	<u>77</u>
Income before equity in undistributed earnings (distributions in excess of earnings) of subsidiaries	6,562	4,766	8,296
Equity in undistributed earnings (distributions in excess of earnings) of subsidiaries	<u>3,536</u>	<u>4,190</u>	<u>(1,383)</u>
Net income	<u>\$ 10,098</u>	<u>\$ 8,956</u>	<u>\$ 6,913</u>

## NOTE 16. Condensed Financial Information of ABC Bancorp (Parent Company Only) (Cont.)

### CONDENSED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (Dollars in Thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>OPERATING ACTIVITIES</b>			
Net income	\$ <u>10,098</u>	\$ <u>8,956</u>	\$ <u>6,913</u>
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	636	408	276
Amortization of intangible assets	299	313	360
Amortization of compensation expense	387	191	-
Distributions in excess of earnings (undistributed earnings) of subsidiaries	(3,536)	(4,190)	1,383
(Increase) decrease in interest receivable	2	(2)	-
Decrease in interest payable	-	(1)	(82)
Increase (decrease) in taxes payable	91	866	(812)
Provision for deferred taxes	(203)	(104)	47
(Increase) decrease in due from subsidiaries	(117)	29	(79)
Other prepaids, deferrals and accruals, net	302	(312)	102
Total adjustments	<u>(2,139)</u>	<u>(2,802)</u>	<u>1,195</u>
Net cash provided by operating activities	<u>7,959</u>	<u>6,154</u>	<u>8,108</u>
<b>INVESTING ACTIVITIES</b>			
(Increase) decrease in interest-bearing deposits in banks	1,200	(1,200)	-
Purchases of premises and equipment	(1,521)	(1,792)	(1,458)
Contribution of capital to subsidiary bank	(400)	(600)	(350)
Purchase of securities available for sale	-	(221)	-
Proceeds from sale of premises and equipment	979	-	-
Net cash provided by (used in) investing activities	<u>258</u>	<u>(3,813)</u>	<u>(1,808)</u>

## NOTE 16. Condensed Financial Information of ABC Bancorp (Parent Company Only) (Cont.)

### CONDENSED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (Dollars in Thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of other borrowings	\$ (500)	\$ -	\$ (2,500)
Treasury stock transactions, net	(4,162)	(88)	(415)
Dividends paid	(3,745)	(2,898)	(2,900)
Net cash used in financing activities	<u>(8,407)</u>	<u>(2,986)</u>	<u>(5,815)</u>
Net increase (decrease) in cash	(190)	(645)	485
Cash at beginning of year	<u>2,102</u>	<u>2,747</u>	<u>2,262</u>
Cash at end of year	<u>\$ 1,912</u>	<u>\$ 2,102</u>	<u>\$ 2,747</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Cash paid during the year for interest	\$ 174	\$ 171	\$ 305

## NOTE 17. Pending Acquisitions

The Company has entered into a definitive merger agreement with Golden Isles Financial Holdings, Inc., Brunswick, Georgia whereby it would acquire all of the outstanding stock of Golden Isles Financial Holdings, Inc. in exchange for a combination of cash and the Company's stock. The total merger consideration will approximate \$23.3 million. Total assets of Golden Isles Financial Holdings, Inc. at December 31, 2000 were approximately \$146.8 million. The merger is subject to approval by Golden Isles Financial Holdings, Inc. shareholders and certain regulatory authorities and the registration of the Company's common stock to be issued in connection with the merger. As a result of the merger, The First Bank of Brunswick, a wholly-owned subsidiary of Golden Isles Financial Holdings, Inc., will become a wholly-owned subsidiary of the Company. The merger will be accounted for as a purchase transaction.

The Company has also entered into a definitive merger agreement with Tri-County Bank, Trenton, Florida whereby it would acquire all of the outstanding stock of Tri-County Bank in exchange for a combination of cash and the Company's common stock. The total merger consideration will approximate \$7.2 million. Total assets of Tri-County Bank at December 31, 2000 were approximately \$47.5 million. The merger is subject to approval by Tri-County Bank shareholders and certain regulatory authorities. As a result of the merger, Tri-County Bank will become a wholly-owned subsidiary of the Company. The merger will be accounted for as a purchase transaction.

## ABC Bancorp Subsidiary Banks Executive Officers and Directors

### Executive Officers

*President  
& Chief Executive Officer*  
Kenneth J. Hunnicutt

*Executive Vice President  
& Chief Operating Officer*  
Mark D. Thomas

*Executive Vice President  
& Chief Financial Officer*  
W. Edwin Lane, Jr., CPA

### Directors

Doyle Weltzbarker, Chairman  
*Occupation: Farm Products  
Main Employer: West End Milling*

John G. Briggs  
*Occupation: Auto Parts  
Main Employer: Briggs Auto  
Parts, Inc.*

Johnny W. Floyd  
*Occupation: Timber and Realty  
Main Employer: Floyd Timber  
Company & Cordele Realty, Inc.*

J. Raymond Fulp  
*Occupation: Pharmacist  
Main Employer: CVS Pharmacy*

Wycliffe R. Griffin  
*Occupation: Distribution of Farm  
Chemicals  
Main Employer: Triangle Chemical  
& Cardinal Chemical*

Kenneth J. Hunnicutt  
*Occupation: Banker  
Main Employer: ABC Bancorp*

Daniel B. Jeter  
*Occupation: Consumer Finance  
Main Employer: Standard Discount*

Robert P. Lynch  
*Occupation: Automobile Dealer  
Main Employer: Motor Finance  
Company*

Mark D. Thomas  
*Occupation: Banker  
Main Employer: ABC Bancorp*

Henry Wortman  
*Occupation: Dairyman  
Main Employer: Jackson &  
Wortman*

Chairman Emeritus  
Eugene M. Vereen, Jr.  
*Occupation: Real Estate & Investing  
Main Employer: M.I.A., Co.*

### ABC Bancorp Senior Management Team

*President & Chief Executive Officer*  
Kenneth J. Hunnicutt

*Executive Vice President &  
Chief Operating Officer*  
Mark D. Thomas

*Executive Vice President &  
Chief Financial Officer*  
W. Edwin Lane, Jr., CPA

*Senior Vice President &  
Director of Credit Administration*  
Jon S. Edwards

*Senior Vice President &  
Director of Human Resources*  
Cindi Lewis

*Senior Vice President &  
Director of Internal Audit*  
Charles A. Robinson

*Senior Vice President &  
Director of Automation & Operations*  
Marc E. DeMott

*Senior Vice President &  
Director of Retail Banking*  
Michael F. McDonald



## ABC Bancorp Subsidiary Banks Executive Officers and Directors

# Officers and Directors - Subsidiary Banks

### American Banking Company

Moultrie, Georgia

*President & Chief Executive Officer*  
Ronnie F. Marchant

*Directors*

Lynn L. Jones, *Chairman*  
John G. Briggs  
Robert M. Brown, MD  
Jack C. Chastain  
C. Wayne Cooper  
Thomas L. Estes, MD  
Robert A. Faircloth  
Kenneth J. Hunnicutt  
Ronnie F. Marchant  
J. Mark Mobley, Jr.  
Thomas W. Rowell  
Joan V. Stallings  
Mark D. Thomas  
*President Emeritus*  
Eugene M. Vereen, Jr.

### Bank of Thomas County

Thomasville, Georgia

*President & Chief Executive Officer*  
Ervin E. Brock

*Directors*

L. Maurice Chastain, *Chairman*  
Dale E. Aldridge  
Mark Brewer, MD  
Ervin E. Brock  
Gene Hickey  
Kenneth J. Hunnicutt  
Zeke Johnson  
Dr. Terrel M. Solana  
Mark D. Thomas  
F. Keith Wortman

### Cairo Banking Company

Cairo, Georgia

*President & Chief Executive Officer*  
Edgar B. Smith, III

*Directors*

Jeffrey F. (Jet) Cox, *Chairman*  
Nancy C. Clark  
Ronnie L. Gainous  
Cuy Harrell, III  
Kenneth J. Hunnicutt  
Winburn Knight  
William J. Morton, MD  
G. Ashley Register, MD  
Edgar B. Smith, III  
Mark D. Thomas

### Central Bank & Trust

Cordele, Georgia

*President & Chief Executive Officer*  
Robert L. Evans

*Directors*

Johnny W. Floyd, *Chairman*  
Robert E. Barr, MD  
Charles W. Clark  
Robert L. Evans  
William T. Greene  
William H. Griffin, III  
Kenneth J. Hunnicutt  
Mark D. Thomas  
Henry M. Turton, Jr.  
David N. Rainwater

### Citizens Security Bank

Tifton, Georgia

*President & Chief Executive Officer*  
Edwin W. Hortman, Jr.

*Directors*

J. Raymond Fulp, *Chairman*  
Austin L. Coarsey  
E. M. Flowers, Jr.\*\*  
Stewart D. Gilbert, MD  
Edwin W. Hortman, Jr.  
Kenneth J. Hunnicutt  
John Alan Lindsey  
Loran A. Pate  
Joel Spivey  
Mark D. Thomas  
Clifford A. Walker, Sr., DMD

### Citizens Security Bank

Douglas, Georgia

*City President*  
Alan D. Moore

*City Directors*

Robert Fender, *Chairman*  
Earl Brice  
Anthony Deal  
Sherman Dudley  
Faye Hennesy  
Edwin W. Hortman, Jr.  
Kenneth J. Hunnicutt  
Alan D. Moore  
Donnie Smith  
Joel Spivey  
Oscar Street  
Mark D. Thomas

\*\* Deceased

## ABC Bancorp Subsidiary Banks Executive Officers and Directors

# Officers and Directors - Subsidiary Banks

### **Citizens Security Bank**

Ocilla, Georgia

*City President*  
C. Larry Young

*City Directors*  
Loran A. Pate, *Chairman*  
Gary Paulk  
Wycliffe R. Griffin  
Edwin W. Hortman, Jr.  
Kenneth J. Hunnicutt  
Howard C. McMahan  
Daniel M. Paulk  
Mark D. Thomas  
C. Larry Young

### **First National Bank of South Georgia**

Albany, Georgia

*President & Chief Executive Officer*  
O. Leonard Dorminey, Jr.

*Directors*  
Glen A. Kirbo, *Chairman*  
Willie Adams, Jr., MD  
Robert V. Barkley  
O. Leonard Dorminey, Jr.  
Waddell M. Hagins, Jr.  
Kenneth J. Hunnicutt  
Russell E. Martin  
Reid E. Mills  
W. Thomas Mitcham, MD  
R. Douglas Oliver  
Mark D. Thomas  
W. Paul Wallace, Jr.

### **Heritage Community Bank**

Quitman, Georgia

*President & Chief Executive Officer*  
Tim S. Jones

*Directors*  
Doyle Weltzbarker, *Chairman*  
William P. Cooper, Jr.  
Kenneth J. Hunnicutt  
Tim S. Jones  
Ronald B. Miller  
Mark D. Thomas  
Henry Wortman

### **Merchants & Farmers Bank**

Donalsonville, Georgia

*President & Chief Executive Officer*  
John C. Mosely

*Directors*  
Jerry G. Mitchell, *Chairman*  
Charles R. Burke, Sr.  
H. Wayne Carr  
Joseph S. Hall  
Rufus G. Heard  
Kenneth J. Hunnicutt  
Newton E. King, Jr.  
John C. Mosely  
Dan E. Ponder, Jr.  
Mark D. Thomas  
*Directors Emeritus*  
John B. Clarke, Sr.  
Newton E. King, Sr.

### **Southland Bank**

Dothan, Alabama

*President & Chief Executive Officer*  
Harris O. Pittman, III

*Directors*  
Robert Dale Ezzell, *Chairman*  
J. Granger Danford\*\*  
Joe M. Davis  
John D. DeLoach  
Kenneth J. Hunnicutt  
Harris O. Pittman, III  
Mark D. Thomas

\*\* Deceased

## MARKET FOR THE COMPANY'S COMMON STOCK AND DIVIDENDS

ABC Bancorp Common Stock is quoted through the National Market System of the National Association of Securities Dealers (NASDAQ) under the symbol "ABCB".

The following table sets forth the low and high sales prices for the common stock as quoted on Nasdaq-NMS during 2000.

Table Info:

Calendar Period 2000	Sales Prices	
	Low	High
First Quarter	9.63	11.13
Second Quarter	9.50	11.00
Third Quarter	9.00	10.75
Fourth Quarter	8.00	10.50

Quarterly dividends of \$.08-1/3 per share were declared for the first three quarters of 1999 and dividends of \$.10 per share were declared for the fourth quarter of 1999. Quarterly dividends of \$.10 per share were declared for the first quarter of 2000 and dividends of \$.12 per share were declared for the last three quarters of 2000.

## AVAILABILITY OF INFORMATION

ABC Bancorp will provide without charge, upon written request, a copy of the Annual Report on Form 10-K, including the financial statements and the financial statement schedules, required to be filed with the Securities and Exchange Commission for fiscal year 2000.

Please direct requests to:

ABC Bancorp, Attention: W. Edwin Lane, Jr., P.O. Box 3668, Moultrie, GA 31776-3668.

## ANNUAL MEETING OF SHAREHOLDERS

The 2001 Annual Meeting of Shareholders of ABC Bancorp will be held at 4:15 p.m. EST, Tuesday, May 15, 2001, at the location specified in the proxy.



310 First Street Southeast • Moultrie, Georgia 31768  
(229) 890-1111 • www.ABCBancorp.com

**“You Work  
Hard  
for Your  
Money...  
We Work  
Hard for  
*you.*”**

**Proud Members of the  
ABC Bancorp Team:**

- American Banking Company
- Bank of Thomas County
- Cairo Banking Company
- Central Bank & Trust
- Citizens Security Bank
- First National Bank of South Georgia
- Heritage Community Bank
- Merchants & Farmers Bank
- Southland Bank

