ABC BANCORP
Form 10-K405
March 29, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to

Commission file number: 0-16181

ABC BANCORP (A GEORGIA CORPORATION)
I.R.S. EMPLOYER IDENTIFICATION NUMBER 58-1456434
24 2nd AVENUE, S.E., MOULTRIE, GEORGIA 31768
TELEPHONE NUMBER: (229) 890-1111

Securities registered pursuant to Section 12(b) of the Act

None

Securities registered pursuant to Section 12(g) of the Act

Common Stock, Par Value $1 Per Share

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

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

As of March 1, 2002, registrant had outstanding 9,888,679 shares of common stock, $1 par value per share, which is registrant's only class of common stock. The aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately $121,249,500 million.

DOCUMENTS INCORPORATED BY REFERENCE

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

PART I

ITEM 1. BUSINESS OF THE COMPANY AND THE SUBSIDIARY BANKS

ABC Bancorp ("ABC") was organized as a bank holding company under the Federal Bank Holding Company Act of 1956, as amended in 1981 (the "BHCA"), and the bank holding company laws of Georgia.

ABC provides, through its commercial bank subsidiaries described below (sometimes hereinafter referred to as "Banks"), banking services to individuals and businesses in Southern Georgia, Southeastern Alabama and Northern Florida. ABC's executive office is located at 24 2nd Avenue, S.E., Moultrie, Georgia 31768, and its telephone number is (229) 890-1111. As a registered bank holding company, ABC is subject to the applicable provisions of the Federal Bank Holding Company Act and the Georgia Bank Holding Company Act, as well as to supervision by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the State of Georgia Department of Banking and Finance.

Our primary business as a bank holding company is to manage the business and affairs of our Banks. The Banks provide a broad range of retail and commercial banking services to its customers, including checking, savings, NOW and money market accounts and time deposits of various types; loans for business, agriculture, real estate, personal uses, home improvement and automobiles, credit cards; letters of credit; trust services through Reliance Trust Company; brokerage services through either PFIC Securities Corporation or Raymond James Financial Services, Inc.; fixed rate annuities through PFIC Corporation; IRA's; safe deposit box rentals; bank money orders; and electronic funds transfer services, including wire transfers and automated teller machines. We maintain a diversified loan portfolio and make no foreign or energy-related loans.

While we have decentralized certain of our management responsibilities, we maintain efficient centralized operating systems. As a result, corporate policy, strategy and certain administrative policies are established by our board of directors, while lending and community-specific marketing decisions are made primarily by each bank to allow it to respond to differing needs and demands of its own market. Data processing functions are centralized in the ABC's data processing division located in Moultrie, Georgia. Within this framework, the Banks focus on providing personalized services and quality products to their customers to meet the needs of the communities they serve. Our objective is to establish ABC as a major financial institution in Southern Georgia, Southeastern Alabama and Northern Florida. Management has pursued this objective through an acquisition-oriented growth strategy and a prudent operating strategy.

As a bank holding company, we perform central data processing functions, purchasing functions and other common functions and provides certain management services for our Banks. Normal banking services are conducted by the Banks.

OUR SUBSIDIARIES

Following is a list of our Banks, the market areas served by the Banks and the estimated relative size of the Banks as compared with their major competitors.

Subsidiary Bank	Principal Market Area	Estimated Among C
American Banking Company	Moultrie and Colquitt County, Georgia	Second largest o Colquitt County,
Heritage Community Bank	Quitman and Brooks County, Georgia and Valdosta and Lowndes County, Georgia	Second largest o Brooks County, G
Bank of Thomas County	Coolidge, Thomasville and Thomas County, Georgia	Fifth largest of Thomas County, G
Citizens Security Bank	Tifton and Tift County, Ocilla and Irwin County, Douglas and Coffee County, Georgia	Third largest of Tift County, Geo
Cairo Banking Company	Cairo and Grady County, Meigs and Thomas County, Georgia	Second largest o Grady County, Ge
Southland Bank	Dothan, Abbeville, Clayton, Eufaula and Headland, Alabama	Fifth largest of Houston County,
Central Bank & Trust Company	Cordele and Crisp County, Georgia	Third largest of Crisp County, Ge
First National Bank of South Georgia	Albany and Dougherty County, Georgia and Lee County, Georgia	Fifth largest of Dougherty County
Merchants & Farmers Bank	Donalsonville and Seminole County, Georgia and Colquitt and Miller County, Georgia	Second largest o Seminole County,
Tri-County Bank	Trenton and Gilchrist County, Florida and Newberry and Alachua County, Florida	Largest of three County, Florida
The First Bank of Brunswick	Brunswick, St. Simons Island, Jekyll Island and Glynn County, Georgia	Fourth largest o Glynn County, Ge

All of the Banks offer traditional loan and deposit services discussed elsewhere in this Annual Report on Form 10-K. Only American Banking Company provides trust services directly to its customers and to the customers of the other subsidiary banks. All of the Banks maintain correspondent relationships with other commercial banks and the Federal Home Loan Bank of Atlanta. As compensation for services provided by the correspondent banks, the Banks maintain certain balances in noninterest-bearing accounts with those banks. The principal correspondent bank for all of the Banks is SunTrust Bank in Atlanta, Georgia.

On August 30, 2001, ABC formed ABC Bancorp Capital Trust I, a Delaware statutory trust and a wholly-owned subsidiary of ABC (the "Trust"), for the purpose of (i) issuing and selling its common securities to ABC and its trust preferred securities to the public, and (ii) using the proceeds from the sale of the trust preferred securities to purchase 9.00% Subordinated Debentures (the "Subordinated Debentures") from ABC. In the quarter ended December 31, 2001, the Trust sold its securities and used the proceeds to purchase the Subordinated Debentures, which are the sole asset of the Trust. ABC pays interest on the Subordinated Debentures to the Trust at the end of each quarter at an annual rate of 9.00%, which is equal to the dividend rate payable by the Trust to the holders of its preferred securities. The cost of the issuance of the Trust's preferred securities is treated as a deferred asset and will be amortized over the life of the securities. Following the offer and sale of the Trust's securities, ABC owned and currently holds all of the outstanding common securities of the Trust, its only voting securities, and as a result the Trust is a subsidiary of the Company. See the Notes to ABC's Consolidated Financial Statements included in this annual report for a further discussion regarding the issuance of Trust's preferred securities.

Our Market Areas and Competition

Our market area is located in Southern Georgia, Southeastern Alabama and Northern Florida. The Banks' main offices and larger branches are located in the southern Georgia cities of Albany, Brunswick, Cairo, Colquitt, Cordele, Donalsonville, Douglas, Jekyll Island, Moultrie, Ocilla, Quitman, St. Simons Island, Thomasville, Tifton and Valdosta, the southern Alabama cities of Abbeville, Clayton, Dothan, Eufaula and Headland and the northern Florida cities of Trenton and Newberry. The Banks have a total of 35 offices located in either the cities or counties in which the main offices are located or in nearby cities.

We have subsidiary banks in several high-growth market areas that offer favorable growth and profitability potential, including banks in the cities of Valdosta, Tifton and Cordele, which are located along the I-75 corridor of Georgia, a major north-south transportation artery. We also have banks in Albany, Georgia and Dothan, Alabama, both of which are developing commercial and industrial "hubs" where residents of the numerous smaller, surrounding cities find jobs, entertainment, consumer products and services and medical services.

In April 2001, we completed the acquisition of a bank in northern Florida, and in June 2001, we acquired a branch of a competing bank in the same market area. We have combined these acquisitions into one bank with assets of approximately $71 million. One branch of this bank gives us a presence in the outskirts of the high-growth area surrounding Gainesville, Florida.

The recent acquisition of The First Bank of Brunswick gives us additional growth and profitability potential. The First Bank of Brunswick had total assets of approximately $150 million at December 31, 2001. The First Bank of Brunswick has its main office and one branch in the Georgia community of Brunswick, Georgia and two additional branches on St. Simons Island, Georiga, and Jekyll Island, Georgia. Brunswick is located directly on vital Atlantic Ocean shipping waterways and the I-95 corridor of Georgia. It is also in close proximity to some of the most popular beachfront property on the east coast of the United States (including Sea Island, St. Simons Island and Jekyll Island). All of these factors give us significant opportunities in commercial, residential, vacation resort and retirement resort growth and development potential.

The banking industry in Georgia, Alabama and Florida is highly competitive. In recent years, intense market demands, economic pressures, fluctuating interest rates and increased customer awareness of product and service differences among financial institutions have forced banks to diversify their services and become more cost effective. Each of the Banks faces strong competition in attracting deposits and making loans. Their most direct competition for deposits comes from other commercial banks, thrift institutions, credit unions and issuers of securities such as brokerage firms. Interest rates, convenience of office locations and marketing are all significant factors in the Banks' competition for deposits.

Competition for loans comes from other commercial banks, thrift institutions, savings banks, insurance companies, consumer finance companies, credit unions and other institutional lenders. Our Banks compete for loan originations through the interest rates and loan fees they charge and the efficiency and quality of services they provide. Competition is affected by the general availability of lendable funds, general and local economic conditions, current interest rate levels and other factors that are not readily predictable.

Management expects that competition will become more intense in the future due to changes in state and federal laws and regulations and the entry of additional bank and nonbank competitors. See "Supervision and Regulation".

LENDING POLICY

We have sought to maintain a comprehensive lending policy that meets the credit needs of each of the communities served by the Banks, including low- and moderate-income customers, and to employ lending procedures and policies consistent with this approach. All loans are subject to our written loan policy, which is updated annually and which provides that lending officers have sole authority to approve loans of various maximum amounts depending upon their seniority and experience. Each bank's president has sole discretion to approve loans in varying principal amounts up to specified limits for each president. Each bank's board of directors reviews and approves loans that exceed management's lending authority and, in certain instances, other types of loans. New credit extensions are reviewed daily by each bank's senior management and at least monthly by its board of directors.

The lending officers at each bank have authority to make loans only in the county in which the Bank is located and its contiguous counties. Our lending policy requires analysis of the borrower's projected cash flow and ability to service the debt. For agricultural loans, which constitute a significant portion of our consolidated loan portfolio, the lending officer visits the borrower regularly during the growing season and re-evaluates the loan in light of the borrower's updated cash flow projections. Each subsidiary bank is assigned an approval limit by the holding company, which serves as the maximum limit of new extensions of credit each Bank can approve. That approval limit is reviewed annually by the Holding Company and adjusted as needed. All extensions of credit in excess of the Banks' internal approval limits are reviewed by ABC's Senior Credit Officer. Further approval by a Holding Company loan committee may also be needed.Under our ongoing loan review program, all loans are subject to sampling and objective review by an assigned loan reviewer who is independent of the originating loan officer.

We actively market our services to qualified lending customers in both the commercial and consumer sectors. Our commercial lending officers actively solicit the business of new companies entering the market as well as longstanding members of that market's business community. Through personalized professional service and competitive pricing, we have been successful in attracting new commercial lending customers. At the same time, we actively advertise our consumer loan products and continually seek to make our lending officers more accessible.

Each bank continually monitors its loan portfolio to identify areas of concern and to enable management to take corrective action when necessary. Each bank's lending officers and board of directors meet periodically to review all past due loans, the status of large loans and certain other matters. Individual lending officers are responsible for reviewing collection of past due amounts and monitoring any changes in the financial status of the borrowers.

LENDING ACTIVITIES

General. We provide a broad range of commercial and retail lending services to corporations, partnerships and individuals, including agricultural, commercial business loans, commercial and residential real estate construction and mortgage loans, loan participations, consumer loans, revolving lines of credit and letters of credit. The loan department of each bank makes direct and indirect loans to consumers and originates and services residential mortgages.

Real Estate Loans. Our real estate loans are for a term of years, although rarely more than ten, over which period the principal thereof is amortized, and are generally secured by residential real estate, farmland or commercial real estate. Real estate related loans represent a significant portion of the loan portfolio.

Agricultural Loans. Our agricultural loans are made for crop production expenses or to finance the purchase of farm-related equipment. Agricultural loans typically involve seasonal fluctuations in amounts. Although we typically look to an agricultural borrower's cash flow as the principal source of repayment, agricultural loans are also generally secured by a security interest in the crops or the farm-related equipment and, in some cases, an assignment of crop insurance or a mortgage on real estate. In addition, a portion of our agricultural loans are guaranteed by the FmHA Guaranteed Loan Program.

Commercial and Industrial Loans. General commercial and industrial loans consist of loans made primarily to manufacturers, wholesalers and retailers of goods, service companies and other industries. Management believes that a significant portion of these loans are, to varying degrees, agricultural-related. The Banks have also generated loans which are guaranteed by the U. S. Small Business Administration. Management believes that making such loans helps the local community and also provides ABC with a source of income and solid future lending relationships as such businesses grow and prosper. The primary repayment risk for commercial loans is the failure of the business due to economic or financial factors. Although we typically look to a commercial borrower's cash flow as the principal source of repayment for such loans, many commercial loans are secured by inventory, equipment, accounts receivable and other assets.

Consumer Lending. Our consumer loans include motor vehicle, home improvement, home equity, student and signature loans and small personal credit lines. Many of our Banks also offer credit cards to their customers.

Compliance with Community Reinvestment Act. Each of our Banks has a Community Reinvestment Act Officer who develops and oversees that Bank's Community Reinvestment Act program and makes monthly reports to that Bank's board of directors. The Banks regularly sponsor or participate in community programs designed to ascertain and meet the credit needs of each of the communities they serve, including low and moderate income neighborhoods. Some of these activities include sponsoring minority festivals during Black History Month, participating in community meetings to explain the availability of Small Business Administration, Farmers' Home Loan Administration and Regional Development Center loans, and sponsoring educational seminars for area farmers. In addition, each of our Banks participate in the Georgia Residential Finance Authority program which makes low interest rate loans to rehabilitate low income rental housing.

TRUST SERVICES

We provide personal trust and employee benefit services to our customers through a contractual arrangement with Reliance Trust Company.

DEPOSITS

Checking, savings and money market accounts and other time accounts are the primary sources of the Banks' funds for loans and investments. Our Banks obtain most of their deposits from individuals and from businesses in their respective market areas.

Our Banks have not had to attract new or retain old deposits by paying depositors rates of interest on certificates of deposit, money market and other interest-bearing accounts significantly above rates paid by other banks in our Banks' respective market areas. In the future, increasing competition among banks in our Banks' market areas may cause our Banks' interest margins to shrink. The Banks have never accepted deposits for which a broker's commission was paid.

INVESTMENT ACTIVITIES

Our investment policy is designed to maximize income from funds not needed to meet loan demand in a manner consistent with appropriate liquidity and risk objectives. Under this policy, our Banks may invest in federal, state and municipal obligations, public housing authority bonds, industrial development revenue bonds and Government National Mortgage Association ("GNMA") securities. Our Banks' investments must satisfy certain investment quality criteria. Our Bank's investments must be rated at least "BAA" by either Moody's or Standard and Poor's. Securities rated below "A" are periodically reviewed for creditworthiness. Our Banks may purchase non-rated municipal bonds only if the issuer of such bonds is located in a Bank's general market area and such bonds are determined by the purchasing Bank to have a credit risk no greater than the minimum ratings referred to above. Industrial development authority bonds, which normally are not rated, are purchased only if the issuer is located in the purchasing Bank's market area and if the bonds are considered to possess a high degree of credit soundness. Our Banks typically have not purchased a significant amount of GNMA securities, which normally have higher yields than our Banks' other investments.

While our investment policy permits the Banks to trade securities to improve the quality of yields or marketability or to realign the composition of the portfolio, the Banks historically have not done so to any significant extent.

Our investment committee implements the investment policy and portfolio strategies, monitors the portfolio and reports to each Bank's board and ALCO committees. Reports on all purchases, sales, net profits or losses and market appreciation or depreciation of the bond portfolio are reviewed by our board of directors each month. Once a year, the written investment policy is reviewed by our board of directors.

The Banks' securities are kept in safekeeping accounts at correspondent banks.

ASSET/LIABILITY MANAGEMENT

Our objective is to manage our assets and liabilities to provide a satisfactory, consistent level of profitability within the framework of established cash, loan, investment, borrowing and capital policies. The overall philosophy of our management to support asset growth primarily through growth of core deposits, which include deposits of all categories made by individuals, partnerships, corporations and other entities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PROPERTIES

The table below sets forth the location, size and other information with respect to ABC's real properties. Except for the leased Jekyll Island property and two locations in Dothan, Alabama, all properties are owned by ABC or the Banks and are unencumbered.

Offices	Used By
310 First Street, S.E., Moultrie, GA	ABC
317 S. Main Street, Moultrie, GA	ABC
308-314 First Street, S.E., Moultrie, GA	ABC
24 Second Avenue, S. E., Moultrie, GA	ABC
731 West Second Street, Tifton, GA	ABC
305 South Main Street, Moultrie, GA	ABC and American Bank
225 South Main Street, Moultrie, GA	American Bank
1707 First Avenue, S.E., Moultrie, GA	American Bank
137 Broad Street, Doerun, GA	American Bank
2513 South Main Street, Moultrie, GA	American Bank
322 First Street, S.E., Moultrie, GA	American Bank
1000 West Screven Street, Quitman, GA	Heritage Bank
Highway 133 West, Valdosta, GA	Heritage Bank
3140 Inner Perimeter Road, Valdosta, GA	Heritage Bank
2484 East Pinetree Boulevard, Thomasville, GA	Thomas Bank
529 Pine Street, Coolidge, GA	Thomas Bank
111 E. Eighth Street, Tifton, GA	Citizens Security Bank
804 W. Second Street, Tifton, GA	Citizens Security Bank
301 South Irwin Avenue, Ocilla, GA	Citizens Security Bank
100 South Pearle Avenue, Douglas, GA	Citizens Security Bank
201 South Broad Street, Cairo, GA	Cairo Bank
Hwy. 84 Drive-in, Cairo, GA	Cairo Bank
12 East Depot Street, Meigs, GA	Cairo Bank
3299 Ross Clark Circle, Dothan, AL	Southland Bank
1817 S. Oates St., Dothan, AL	Southland Bank
1970 Reeves Street, Dothan, AL	Southland Bank
204 Kirkland St., Abbeville, AL	Southland Bank
211 Eufaula St., Clayton, AL	Southland Bank
1140 S. Eufaula Ave., Eufaula, AL	Southland Bank
208 Main St., Headland, AL	Southland Bank
502 Second Street South, Cordele, GA	Central Bank
1302 Sixteenth Avenue East, Cordele, GA	Central Bank
509 16th Avenue, Cordele, GA	Central Bank
2627 Dawson Road, Albany, GA	First National Bank
1607 U. S. Highway 19 South, Leesburg, GA	First National Bank
109 W. Third St., Donalsonville, GA	M & F Bank
Hwy 374 and 253, Donalsonville, GA	M & F Bank

162 East Crawford Street, Colquitt, GA	M & F Bank
302 North Main Street, Trenton, FL	Tri-County Bank
25365 West Newberry Road, Newberry, FL	Tri-County Bank
3340 Cypress Mill Road, Brunswick, GA	First Bank of Brunswick
5340 New Jesup Highway, Brunswick, GA	First Bank of Brunswick
3811 Frederick Road, St. Simons Island, GA	First Bank of Brunswick
18-B Beachview Drive, Jekyll Island, GA	First Bank of Brunswick

EMPLOYEES

At December 31, 2001, ABC and our Banks employed approximately 515 employees. We consider our relationship with our employees to be excellent.

We have adopted two retirement plans for our employees, the ABC Bancorp 401(k) Profit Sharing Plan and the ABC Bancorp Money Purchase Pension Plan. These plans provide both deferral of compensation by our employees and matching contributions by ABC. ABC and our Banks made contributions for all eligible employees in 2001. We also maintain a comprehensive employee benefits program providing, among other benefits, hospitalization and major medical insurance and life insurance. Management considers these benefits to be competitive with those offered by other financial institutions in our market areas. Our employees are not represented by any collective bargaining group.

SUPERVISION AND REGULATION

GENERAL

As a bank holding company, we are subject to the regulation, supervision and reporting requirements of the Federal Reserve Board, the Georgia Department of Banking and Finance, the Alabama State Banking Department and the Florida Department of Banking and Finance. Our Banks are Georgia, Alabama, Florida and federally chartered banks. The FDIC to the full extent permitted by law insures each of our Banks. As a result, our Banks are subject to the supervision, examination and reporting requirements of the Georgia Department of Banking and Finance, the Alabama State Banking Department, the Florida Department of Banking and Finance, the FDIC and the OCC.

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

- it may acquire direct or indirect ownership or control of any voting shares of any bank if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% of the voting shares of the bank;

- it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or

- it may merge or consolidate with any other bank holding company.

The Bank Holding Company Act further provides that the Federal Reserve may not approve any transaction that would result in a monopoly or that would substantially lessen competition in the banking business, unless the public interest in meeting the needs of the communities to be served outweighs the anti-competitive effects. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks involved and the convenience and needs of the communities to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues focuses, in part, on the performance under The Community Reinvestment Act of 1997, both of which are discussed in more detail.

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

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

GENERAL (CONTINUED)

The activities in which holding companies and their affiliates are permitted to engage were substantially expanded by The Gramm-Leach-Bliley Act, which was signed on November 12, 1999. The Gramm-Leach-Bliley Act repeals the anti-affiliation provisions of The Glass-Steagall Act to permit the common ownership of commercial banks, investment banks and insurance companies. The Gramm-Leach-Bliley Act also amends The Bank Holding Company Act to permit a financial holding company to, among other things, engage in any activity that the Federal Reserve determines to be (i) financial in nature or incidental to such financial activity or (ii) complementary to a financial activity and not a substantial risk to the safety and soundness of depository institutions or the financial system generally. The Federal Reserve must consult with the Secretary of the Treasury in determining whether an activity is financial in nature or incidental to a financial activity. Holding companies may continue to own companies conducting activities which had been approved by federal order or regulation on the day before The Gramm-Leach-Bliley Act was enacted. Effective August 24, 2000, pursuant to a previously-filed election with the Federal Reserve, ABC became a financial holding company.

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

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

PAYMENT OF DIVIDENDS AND OTHER RESTRICTIONS

ABC is a legal entity separate and distinct from its subsidiaries. There are various legal and regulatory limitations under federal and state law on the extent to which our subsidiaries can pay dividends or otherwise supply funds to ABC.

The principal source of ABC's cash revenues is dividends from its subsidiaries, and there are certain limitations under federal and state laws on the payment of dividends by our subsidiaries. The prior approval of applicable regulatory authorities, as the case may be, is required if the total dividends declared by any subsidiary Bank in any calendar year exceeds the Bank's net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years, less any required transfers to surplus or a fund for the retirement of any preferred stock or 50% of the Bank's net profits for the previous year in the case of Georgia banks. The relevant federal and state regulatory agencies also have authority to prohibit a state member bank or bank holding company, which would include ABC and its Banks, from engaging in what, in the opinion of such regulatory body, constitutes an unsafe or unsound practice in conducting its business. The payment of dividends could, depending upon the financial condition of the subsidiary, be deemed to constitute such an unsafe or unsound practice.

Under Georgia law (which would apply to any payment of dividends by the Georgia Banks to ABC), the prior approval of the Georgia Department of Banking and Finance is required before any cash dividends may be paid by a state bank if: (i) total classified assets at the most recent examination of such bank exceed 80% of the equity capital (as defined, which includes the reserve for loan losses) of such bank; (ii) the aggregate amount of dividends declared or anticipated to be declared in the calendar year exceeds 50% of the net profits (as defined) for the previous calendar year; or (iii) the ratio of equity capital to adjusted total assets is less than 6%.

Retained earnings of our Banks available for payment of cash dividends under all applicable regulations without obtaining governmental approval were approximately $8.5 million as of December 31, 2001.

PAYMENT OF DIVIDENDS AND OTHER RESTRICTIONS (CONTINUED)

In addition, our Banks are subject to limitations under Section 23A of the Federal Reserve Act with respect to extensions of credit to, investments in, and certain other transactions with, ABC. Furthermore, loans and extensions of credit are also subject to various collateral requirements.

The Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve's view that a bank holding company should pay cash dividends only to the extent that the holding company's net income for the past year is sufficient to cover both the cash dividends and a rate of earning retention that is consistent with the holding company's capital needs, asset quality and overall financial condition. The Federal Reserve also indicated that it would be inappropriate for a holding company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, under the prompt corrective action regulations adopted by the Federal Reserve, the Federal Reserve may prohibit a bank holding company from paying any dividends if one or more of the holding company's bank subsidiaries are classified as undercapitalized.

Bank holding companies are required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of their consolidated net worth. The Federal Reserve may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order, or any condition imposed by, or written agreement with, the Federal Reserve. This notification requirement does not apply to any company that meets the well-capitalized standard for commercial banks, has a safety and soundness examination rating of at least a "2" and is not subject to any unresolved supervisory issues. As of December 31, 2001, ABC meets these requirements.

CAPITAL ADEQUACY

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

The risk-based capital standards are designed to:

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

- account for off-balance-sheet exposure; and

- minimize disincentives for holding liquid assets.

Assets and off-balance-sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items.

The minimum guideline for the ratio of total capital to risk-weighted assets is 8%. At least half of total capital must be comprised of Tier 1 Capital, which is common stock, undivided profits, minority interests in the equity accounts of consolidated subsidiaries and noncumulative perpetual preferred stock, less goodwill and certain other intangible assets. The remainder may consist of Tier 2 Capital, which is subordinated debt, other preferred stock and a limited amount of loan loss reserves. During 2001, we increased our consolidated ratios by issuing trust preferred securities in the amount of $34,500,000 of which $25,933,000 (25% of total Tier 1 Capital) was included in Tier 1 Capital and the balance included in Tier 2 Capital. At December 31, 2001, ABC's total risk-based capital ratio and its Tier 1 risk-based capital ratio were 15.02% and 12.70%, respectively.

CAPITAL ADEQUACY (CONTINUED)

In addition, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average assets, less goodwill and certain other intangible assets, of 3% for bank holding companies that meet specified criteria. All other bank holding companies generally are required to maintain a minimum leverage ratio of 4%. ABC's ratio at December 31, 2001 was 9.26%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve has indicated that it will consider a "tangible Tier 1 Capital leverage ratio" and other indicia of capital strength in evaluating proposals for expansion or new activities. The Federal Reserve has not advised ABC of any specific minimum leverage ratio or tangible Tier 1 Capital leverage ratio applicable to it.

Our Banks are subject to risk-based and leverage capital requirements adopted by the FDIC and the OCC that are substantially similar to those adopted by the Federal Reserve for bank holding companies. All of our Banks were in compliance with applicable minimum capital requirements as of December 31, 2001.

Neither ABC nor any of our Banks has been advised by any federal banking agency of any specific minimum capital ratio requirement applicable to it.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on taking brokered deposits, and certain other restrictions on its business. As described below, the FDIC can impose substantial additional restrictions upon FDIC-insured depository institutions that fail to meet applicable capital requirements.

PROMPT CORRECTIVE ACTION

The Federal Deposit Insurance Act (or "FDI Act"), among other things, requires the federal regulatory agencies to take "prompt corrective action" if a depository institution does not meet minimum capital requirements. The FDI Act establishes five capital tiers: "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" and "critically undercapitalized". A depository institution's capital tier will depend upon how its capital levels compare to various relevant capital measures and certain other factors, as established by regulation.

The federal bank regulatory agencies have adopted regulations establishing relevant capital measurers and relevant capital levels applicable to FDIC-insured banks. The relevant capital measures are the Total Capital ratio, Tier 1 Capital ratio and the leverage ratio. Under the regulations, a FDIC-insured bank will be:

- "well capitalized" if it has a Total Capital ratio of 10% or greater, a Tier 1 Capital ratio of 6% or greater and a leverage ratio of 5% or greater and is not subject to any order or written directive by the appropriate regulatory authority to meet and maintain a specific capital level for any capital measure;

- "adequately capitalized" if it has a Total Capital ratio of 8% or greater, a Tier 1 Capital ratio of 4% or greater and a leverage ratio of 4% or greater (3% in certain circumstances) and is not "well capitalized";

- "undercapitalized" if it has a Total Capital ratio of less than 8%, a Tier 1 Capital ratio of less than 4% or a leverage ratio of less than 4% (3% in certain circumstances);

- "significantly undercapitalized" if it has a Total Capital ratio of less than 6%, a Tier 1 Capital ratio of less than 3%

or a leverage ratio of less than 3%; and

- "critically undercapitalized" if its tangible equity is equal to or less than 2% of average quarterly tangible assets.

An institution may be downgraded to, or deemed to be in, a capital category that is lower than is indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. As of December 31, 2001, all of ABC's Banks had capital levels that qualify as "well capitalized" under such regulations.

PROMPT CORRECTIVE ACTION (CONTINUED)

The FDI Act generally prohibits an FDIC-insured bank from making a capital distribution (including payment of a dividend) or paying any management fee to its holding company if the bank would thereafter be "undercapitalized". "Undercapitalized" banks are subject to growth limitations and are required to submit a capital restoration plan. The federal regulators may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the bank's capital. In addition, for a capital restoration plan to be acceptable, the bank's parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company is limited to the lesser of: (i) an amount equal to 5% of the bank's total assets at the time it became "undercapitalized"; and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a bank fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized".

"Significantly undercapitalized" insured banks may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized", requirements to reduce total assets and the cessation of receipt of deposits from correspondent banks. "Critically undercapitalized" institutions are subject to the appointment of a receiver or conservator. A bank that is not "well capitalized" is also subject to certain limitations relating to so-called "brokered" deposits.

COMMUNITY REINVESTMENT ACT

The Community Reinvestment Act requires federal bank regulatory agencies to encourage financial institutions to meet the credit needs of low- and moderate-income borrowers in their local communities. An institution's size and business strategy determines the type of examination that it will receive. Large, retail-oriented institutions are examined using a performance-based lending, investment and service test. Small institutions are examined using a streamlined approach. All institutions may opt to be evaluated under a strategic plan formulated with community input and pre-approved by the bank regulatory agency.

The Community Reinvestment Act regulations provide for certain disclosure obligations. Each institution must post a notice advising the public of its right to comment to the institution and its regulator on the institution's Community Reinvestment Act performance and to review the institution's Community Reinvestment Act public file. Each lending institution must maintain for public inspection a file that includes a listing of branch locations and services, a summary of lending activity, a map of its communities and any written comments from the public on its performance in meeting community credit needs. The Community Reinvestment Act requires public disclosure of a financial institution's written Community Reinvestment Act evaluations. This promotes enforcement of Community Reinvestment Act requirements by providing the public with the status of a particular institution's community reinvestment record.

The Gramm-Leach-Bliley Act make various changes to The Community Reinvestment Act. Among other changes, Community Reinvestment Act agreements with private parties must be disclosed and annual Community Reinvestment Act reports must be made to a bank's primary federal regulator. A bank holding company will not be permitted to become a financial holding company and no new activities authorized under The Gramm-Leach-Bliley Act may be commenced by a holding company or by a bank financial subsidiary if any of its bank subsidiaries received less than a "satisfactory" Community Reinvestment Act rating in its latest Community Reinvestment Act examination.

PRIVACY

Financial institutions are required to disclose their policies for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing personal financial information with nonaffiliated third parties except for third parties which market the institutions' own products and services. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing through electronic mail to consumers.

The Gramm-Leach-Bliley Act also includes provisions to protect consumer privacy by prohibiting banks from disclosing non-public, personal, financial information to unaffiliated parties without the consent of the customer, and by requiring annual disclosure of the Banks' privacy policies. Each Bank's primary regulator is responsible for promulgating rules to implement these provisions.

LEGISLATIVE AND REGULATORY CHANGES

The Gramm-Leach-Bliley Act allows bank holding companies that are "well managed" and "well capitalized" and whose depositor subsidiaries have "satisfactory" or better Community Reinvestment Act ratings to become financial holding companies that may engage in a substantially broader range of nonbanking activities than are currently permissible, including insurance underwriting and securities activities. Effective August 24, 2000, ABC became a financial holding company.

FISCAL AND MONETARY POLICY

Banking is a business which depends on interest rate differentials. In general, the difference between the interest paid by a bank on its deposits and its other borrowings, an the interest received by an bank on its loans and securities holdings, constitutes the major portion of a bank's earnings. Thus, the earnings and growth of ABC will be subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve. The Federal Reserve regulates the supply of money through various means, including open market dealings in United States government securities, the discount rate at which banks may borrow from the Federal Reserve and the reserve requirements on deposits. The nature and timing of any changes in such policies and their effect on ABC cannot be predicted.

Current and future legislation and the policies established by federal and state regulatory authorities will affect ABC's future operations. Banking legislation and regulations may limit our growth and the return to our investors by restricting certain of our activities.

In addition, capital requirements could be changed and have the effect of restricting our activities or requiring additional capital to be maintained. We cannot predict what changes, if any, will be made to existing federal and state legislation and regulations or the effect that such changes may have on ABC's business.

FEDERAL HOME LOAN BANK SYSTEM

All of our Banks have correspondent relationships with the Federal Home Loan Bank of Atlanta ("FHLB Atlanta"), which is one of 12 regional Federal Home Loan Banks (or "FHLBs") that administer the home financing credit function of savings companies. Each FHLB serves as a reserve or central bank for its members within its assigned region. FHLBs are funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System and make loans to members (i.e., advances) in accordance with policies and procedures, established by the Board of Directors of the FHLB which are subject to the oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances are required to provide funds for residential home financing.

FHLB Atlanta provides certain services to certain of our Banks such as processing checks and other items, buying and selling Federal funds, handling money transfers and exchanges, shipping coin and currency, providing security and safekeeping of funds or other valuable items, and furnishing limited management information and advice. As compensation for these services, the Banks maintain certain balances with FHLB Atlanta in noninterest-bearing accounts.

Under federal law, the FHLBs are required to provide funds for the resolution of troubled savings companies and to contribute to low- and moderately-priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects.

Title 6 of the GLB Act, entitled the Federal Home Loan Bank System Modernization Act of 1999 (called the "FHLB Modernization Act"), has amended the Federal Home Loan Bank Act by allowing for voluntary membership and modernizing the capital structure and governance of the FHLBs. The new capital structure established under the FHLB Modernization Act sets forth new leverage and risk-based capital requirements based on permanence of capital. It also requires some minimum investment in the stock of the FHLBs of all member entities. Capital will include retained earnings and two forms of stock: Class A stock redeemable within six months, written notice and Class B stock redeemable within five years written notice. The FHLB Modernization Act provides a transition period to the new capital regime, which will not be effective until the FHLBs enact implementing regulations. The FHLB Modernization Act also reduces the period of time in which a member exiting the FHLB system must stay out of the system.

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ITEM 2. PROPERTIES

The principal properties of ABC consist of the properties of the Banks. For a description of the properties of the Banks, see "Item 1 - Business of ABC and the Banks - Properties" included elsewhere in this Annual Report.

ITEM 3. LEGAL PROCEEDINGS

Neither ABC nor any of the Banks is a party to, nor is any of their property the subject of, any material pending legal proceedings, other than ordinary routine proceedings incidental to the business of the Banks, nor to the knowledge of the management of ABC are any such proceedings contemplated or threatened against it or the Banks.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

No matters were submitted to a vote of ABC's shareholders during the fourth quarter of 2001.

ITEM 4.5 EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the executive officers of ABC.

Name, Age and Term as Officer	Position with the Registrant	Principal Occupation f and Other D
Kenneth J. Hunnicutt; 65; Officer since 1981	Chief Executive Officer, Director and Chairman of the Board	Chairman of the Board of ABC Executive Officer since 1994 2001. Mr. Hunnicutt served as American Bank from 1989 to American Bank from 1975 to 19 director of each of the banks
Mark D. Thomas; 48; Officer since July 20, 1999	President, Chief Operating Officer and Director	President of ABC since May 20 Officer since July 20, 1999 a since July 1999 Mr.Thomas se President of ABC Bancorp from Mr.Thomas served in various c Senior Vice President and Sta Executive for Tennessee for F from September 1977 through J
W. Edwin Lane, Jr; 47: Officer since January 1, 1995	Executive Vice President and Chief Financial Officer	Executive Vice President and ABC since January 1, 1995. Mr of First Liberty Bank, Macon, December 1994. Mr. Lane was Jenkins, Certified Public Acc where he served as an audit m

Officers serve at the discretion of the Board of Directors.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED

SECURITY HOLDER MATTERS

(a) The Common Stock is listed on the Nasdaq National Market System (or "Nasdaq-NMS") under the symbol "ABCB". The following table sets forth: (a) the high and low bid prices for the common stock as quoted on Nasdaq-NMS during 2001 and 2000; and (b) the amount of quarterly dividends declared on the common stock during the periods indicated.

Calendar Period	Bid Prices		C
2001	High	Low	Div Dec
First quarter	$ 12.000	$ 9.125	$
Second quarter	12.620	11.000	
Third quarter	13.500	11.060	
Fourth quarter	13.950	12.150	

Calendar Period	Bid Prices		C
2000	High	Low	Div Dec
First quarter	$ 11.125	$ 9.625	$
Second quarter	11.000	9.500	
Third quarter	10.750	9.000	
Fourth quarter	10.500	8.000	

(b) As of March 1, 2001, there were approximately 2,000 holders of record of the Common Stock, excluding individuals in security position listings.

(c) ABC paid an annual dividend on its common stock of $.48 and $.46 per share for fiscal years 2001 and 2000, respectively.

(d) On April 13, 2001, ABC consummated the merger of Tri-County Bank, a Florida non-member bank, with and into Tri-County Merger Sub, Inc., a Florida corporation and a wholly-owned subsidiary of ABC, whereby Tri-County Bank became a wholly-owned subsidiary of ABC in accordance with the terms of an Agreement and Plan of Merger by and among ABC, Tri-County Merger Sub, Inc. and Tri-County Bank, which agreement was filed as Exhibit 2.1 to ABC's Annual Report on Form 10-K for the year ended December 31, 2000. Pursuant to the Tri-County Bank Agreement and Plan of Merger, all of the issued and outstanding shares of Tri-County Bank's common stock were converted into the right to receive cash and an aggregate of 347,504 shares of ABC's Common Stock. These shares of Common Stock were issued without registration under the Securities Act of 1933, as amended, in reliance upon the exemption from registration provided in Section 4(2) thereof. ABC based such reliance upon factual representations made to ABC by the shareholders of Tri-County Bank as to such shareholders' investment intent and sophistication, among other things.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents selected consolidated financial information for ABC. The data set forth below are derived from the audited consolidated financial statements of ABC. The selected financial data should be read in conjunction with, and are qualified in their entirety by, the Consolidated Financial Statements and the Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

	Year Ended December 31,		
	2001	2000	1999
	(Dollars in Thousands, Except Per Sh		
Selected Balance Sheet Data:			
Total assets	$ 1,176,886	$ 826,197	$ 789,460
Total loans	805,076	587,381	530,225
Total deposits	931,156	679,885	640,658
Investment securities	156,835	162,105	146,990
Shareholders' equity	104,148	80,656	76,016
Selected Income Statement Data:			
Interest income	$ 76,090	$ 68,976	$ 59,991
Interest expense	34,904	30,805	24,400
Net interest income	41,186	38,171	35,591
Provision for loan losses	4,566	1,712	2,154
Other income	11,725	8,215	7,752
Other expenses	34,020	30,233	27,942
Income before tax	14,325	14,441	13,247
Income tax expense	4,692	4,343	4,291
Net income	$ 9,633	$ 10,098	$ 8,956
Per Share Data:			
Net income - basic	$ 1.05	$ 1.19	$ 1.03
Net income - diluted	1.04	1.19	1.03
Book value	10.42	9.66	8.71
Tangible book value	7.88	8.84	7.84
Dividends	0.48	0.46	0.35
Profitability Ratios:			
Net income to average total assets	1.00 %	1.27 %	1.23 %
Net income to average stockholders' equity	10.30	13.19	11.93
Net interest margin	4.63	5.14	5.31
Efficiency ratio	64.30	65.18	64.47

SELECTED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

	Year Ended December 3		
	2001	2000	1999
	(Dollars in Thousands, Except Pe		
Loan Quality Ratios:			
Net charge-offs to total loans	0.54 %	0.30 %	0.46 %
Reserve for loan losses to total loans and OREO	1.85	1.67	1.86
Nonperforming assets to total loans and OREO	1.67	0.95	1.15
Reserve for loan losses to nonperforming loans	124.97	202.18	178.26
Reserve for loan losses to total nonperforming assets	111.00	175.38	162.59
Liquidity Ratios:			
Loans to total deposits	86.46 %	86.39 %	82.76 %
Loans to average earnings assets	90.56	79.05	79.17
Noninterest-bearing deposits to total deposits	13.48	13.96	16.12
Capital Adequacy Ratios:			
Common stockholders' equity to total assets	8.85 %	9.76 %	9.63 %
Average total stockholders' equity to average total assets	9.74	9.59	10.29
Dividend payout ratio	45.71	38.66	33.98

SELECTED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

SELECTED QUARTERLY FINANCIAL DATA:

	Quarters Ended December 31, 2001		
	4	3	2
	(Dollars in Thousands, Except Per Share D		
Selected Income Statement Data:			
Interest income	$ 19,784	$ 20,310	$ 18,200 $
Net interest income	10,719	11,040	9,876
Net income	2,538	2,607	2,190

Per Share Data:			
Net income - basic	.26	.27	.25
Net income - diluted	.25	.27	.25
Dividends	.12	.12	.12

	Quarters Ended December 31, 2000		
	4	3	2
	(Dollars in Thousands, Except Per Share D		
Selected Income Statement Data:			
Interest income	$ 17,988	$ 18,069	$ 16,756 $
Net interest income	9,637	9,491	9,455
Net income	2,917	2,338	2,438
Per Share Data:			
Net income - basic	.35	.28	.29
Net income - diluted	.35	.28	.29
Dividends	.12	.12	.12

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

ABC's 2001 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

Our principal asset is the ownership of our Banks. Accordingly, our results of operations are primarily dependent upon the results of operations of our Banks. Our 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' profitablity 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 rate 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 rate 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 factors as the level of noninterest income and expenses, the provision for loan losses and the effective tax rate. 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, 2001, 2000 AND 1999

Our results of operations are determined by our 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 our control, the ability to generate net interest income is dependent upon the ability of the Banks to obtain an adequate spread between the rate earned on interest-earning assets and the rate 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 analyze this income on a taxable-equivalent basis.

The net interest margin decrease 52 basis points to 4.68% in 2001 as compared to 5.20% in 2000. This decrease resulted primarily from the monetary policy pursued by the Federal Reserve during 2001. During 2001 the Federal Reserve reduced the discount rate on 11 separate occasions resulting in a reduction in the prime interest rate a total of 475 basis points from 9.50% on January 1, 2001 to 4.75% on December 31, 2001. The prime interest rate on December 31, 2001 was one-half of the effective rate on January 1, 2001. As a result of these rate reductions, ABC's average yield on interest-earning assets decreased 74 basis points to 8.61% in 2001 from 9.35% in 2000. The average interest rate paid on interest-bearing liabilities decreased 34 basis points to 4.58% in 2001 from 4.92% in 2000. Average interest-earning assets increased $146,017 or 19.65% to $889,028,000 in 2001 from $743,011,000 in 2000. Average loans increased $127,766,000 or 22.39% to $698,292 in 2001 from $570,526,000 in 2000. Average yield on loans decreased 89 basis points to 9.33% in 2001 as compared to 10.22% in 2000. Average investments decreased $314,000 or .20% to $158,854,000 in 2001 from $159,168,000 in 2000. Average yield on investments increased 13 basis points or 3.12% to 6.54% in 2001 as compared to 6.41% in 2000. Average interest-bearing deposits in and federal funds sold to other banks increased $18,565,000 or 39.41% to $31,882,000 in 2001 from $13,317,000 in 2000. Although the average yield on deposits in and federal funds sold to other banks decreased 394 basis points, the reduction in yield did not significantly affect the average yield on earning assets due to the relatively small volume of investments represented by such funds. The increase in average interest-earning assets was funded by an increase in average deposits of $126,872,000 or 19.40% to $780,864,000 in 2001 from $653,992,000 in 2000 and an increase in average other borrowings of $$17,662,000 or 28.91% to $78,760,000 in 2001 from $61,098,000 in 2000. Average interest paid on total average deposits decreased 28 basis points or 5.92% to 4.45% in 2001 as compared to 4.73% in 2000. Approximately 13% of the total average deposits were noninterest-bearing deposits in 2001 as compared to approximately 14% in 2000.

During 2001, we acquired two new subsidiary Banks and two branches of other banks which have now been merged with two of our Banks. These new bank and branch acquisitions were accounted for as purchases. Following is a summary of assets and liabilities related to the acquisitions of the two new subsidiary Banks and one branch. The acquisition of one branch was not consummated until December 24, 2001; consequently, the balances related to that branch have not been included because the results would not be materially different had the balances been included.

Interest-earning assets:	
Loans	$71,233,000
Investment securities	15,163,000
Deposit in and federal funds sold to banks	1,772,000
Total interest-earning assets	$88,168,000
Interest-bearing liabilities:	
Deposits	$83,528,000
Other borrowings	4,263,000
Total interest-bearing liabilities	$87,791,000

Noninterest-bearing deposits	$10,326,000
	===========
Total deposits	$93,854,000
	===========

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% on time deposits to $370,707,000 in 2000 as compared to $333,257,000 in 1999. Because we were 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. We also increased our 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 liabilities than they had on yield earned on interest-earning assets, our 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 1998, 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 increased in average borrowings of $24,091,000. In 2000, approximately 14% of the average deposits were noninterest-bearing deposits as compared to approximately 15% in 1999.

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. We segregate our loan portfolio by type of loan and utilize 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, we further segregates our 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.

We have developed a methodology for determining the adequacy of the loan loss reserve which is followed by all our Banks and monitored by ABC's senior credit officer and internal audit staff. Procedures provide for the assignment of a risk rating for every loan included in our total loan portfolio, with the exception of credit card receivables and overdraft protection loans which are treated as pools for risk rating purposes. The risk rating schedule provides seven ratings of which three ratings are classified as pass ratings and four ratings are classified as criticized ratings. Each risk rating is assigned a percent factor to be applied to the loan balance to determine the adequate amount of reserve. Many of the larger loans require an annual review by an independent loan officer. As a result of loan reviews certain loans may be assigned specific reserve allocations. Other loans that surface as problem loans may also be assigned specific reserves. Past due loans are assigned risk ratings based on the number of days past due.

The 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 $4,566,000 in 2001, $1,712,000 in 2000 and $2,154,000 in 1999. The increase in the provision for loan losses of $2,854,000 in 2001 over the provision in 2000 was required to replenish the reserve for greater net charge-offs. Net charge-offs in 2001 increased $2,603,000 to $4,378,000 in 2001 as compared to $1,775,000 in 2000. The charge-off of $2,200,000 on one line of credit in 2001 accounted for 77% of the increase. The remaining portion of the increase in net charge-offs in 2001 was related to the increase in average loans during 2001. 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 could be significantly reduced from the provision recorded in 1999. During 2001, average loans increased $127,766,000 or 22.39% over 2000 as compared to an increase in average loans of $64,585,000 or 12.12% in 2000 as compared to 1999. The allowance for loan losses increased $5,112,000 to $14,944,000 at December 31, 2001 from $9,832,000 at December 31, 2000. Approximately $4,924,000 or 96% of the increase represented loan reserves acquired in bank acquisitions in 2001. Net charge-offs represented 95.88% of the provision for loan losses in 2001 as compared to 103.68% in 2000. Net loan charge-offs for 2001 represented

..63% of average loans outstanding during the year as compared to .31% for 2000 and .48% for 1999. At December 31, 2001, the allowance for loan losses was 1.86% of total loans outstanding as compared to an allowance for loan losses of 1.67% of total loans outstanding at December 31, 2000 and 1.87% of total loans outstanding at December 31, 1999. 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 $161,810,000 or 20.27% to $960,031,000 in 2001 as compared to $798,221,000 in 2000. The increase in average total assets was accompanied by an increase in average deposits of $126,872,000 or 19.40% to $780,864,000 in 2001 from $653,992,000 in 2000 and an increase of average borrowings of $17,662,000. 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 total deposits of $40,665,000 or 6.63% to $653,992,000 in 2000 from $613,327,000 in 1999 and an increase in average borrowings of $24,091,000.

NEW ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combination completed after June 30, 2001. SFAS No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS No. 142 also requires that intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

ABC was required to adopt the provisions of SFAS No. 141 immediately and must adopt SFAS No. 142 effective January 1, 2002. Accordingly, goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination completed after June 30, 2001, but before SFAS No. 142 is adopted, will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-SFAS No. 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized and tested for impairment in accordance with the appropriate pre-SFAS No. 142 accounting requirements in effect prior to the adoption of SFAS No. 142.

SFAS No. 141 requires upon adoption of SFAS No. 142 that we evaluate our existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, we will be required to reassess the useful lives and residual values of all intangible assets acquired, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, we will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with SFAS No. 142's transitional goodwill impairment evaluation, the statement requires us to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in our statement of earnings.

ABC is required to adopt SFAS No. 142 on January 1, 2002. Our unamortized goodwill and other intangible assets on January 1, 2002 total $25.3 million, the majority of which will be subject to the transition provisions of SFAS Nos. 141 and 142. Amortization expense related to goodwill and other intangibles was $1,185,000 and $804,000 for the years ended December 31, 2001 and December 31, 2000, respectively. Because of the extensive effort needed to comply with the adoption of SFAS Nos. 141 and 142, it is not practicable to reasonably estimate the impact of adopting these statements on our financial statements at the date of this annual report, including whether we will be required to recognize any transitional impairment losses as the cumulative effect of a change in accounting principle. However, we believe that the adoption of these statements will not have a material impact on our financial statements.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ABC is exposed only to U. S. Dollar interest rate changes and, accordingly, we manage exposure by considering the possible changes in the net interest margin. We do not have any trading instruments nor do we classify any portion of the investment portfolio as held for trading. We do not engage in any hedging activities or enter into any derivative instruments with a higher degree of risk than mortgage-backed securities, which are commonly, pass through securities. Finally, we have no exposure to foreign currency exchange rate risk, commodity price risk, and other market risks.

Interest rates play a major part in the net interest income of a financial institution. The sensitivity to rate changes is known as "interest rate risk." The repricing of interest earning assets and interest-bearing liabilities can influence the changes in net interest income. As part of our asset/liability management program, the timing of repriced assets and liabilities is referred to as Gap management. Our policy is to maintain a Gap ratio in the one-year time horizon of .80 to 1.20. As indicated by the Gap analysis included in this annual report, the Company is somewhat asset sensitive in relation to changes in market interest rates. Being asset sensitive would result in net interest income increasing in a rising rate environment and decreasing in a declining rate environment. See "Asset/Liability Management" included in this annual report.

ABC uses simulation analysis to monitor changes in net interest income due to changes in market interest rates. The simulation of rising, declining and flat interest rate scenarios allow management to monitor and adjust interest rate sensitivity to minimize the impact of market interest rate swings. The analysis of the impact on net interest income over a twelve-month period is subjected to a gradual 200 basis point increase or decrease in market rates on net interest income and is monitored on a quarterly basis. The most recent simulation model projects net interest income would increase 3.79% if rates rise gradually over the next year. On the other hand, the model projects net interest income to decrease 4.17% if rates decline over the next year.

SELECTED STATISTICAL INFORMATION OF ABC BANCORP

The following statistical information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" and the financial statements and related notes included elsewhere in this Annual Report and in the documents incorporated herein by reference.

Average Balances and Net Income Analysis

The following tables set forth the amount of the ABC's interest income or interest expense for each category of interest-earning assets and interest-bearing liabilities and the average interest rate for total interest-earning assets and total interest-bearing liabilities, net interest spread and net yield on average interest-earning assets. Federally tax-exempt income is presented on a taxable-equivalent basis assuming a 34% federal tax rate.

	Year Ended December 31,					
	2001			2000		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate Paid	Average Balance	Interest Income/ Expense	Average Yield/ Rate Pa
	(Dollars in Thousands)					
ASSETS						
Interest-earning assets:						
Loans, net of unearned interest	$ 698,292	$ 65,157	9.33 %	$ 570,526	$ 58,328	10.22%
Investment securities:						
Taxable	141,378	9,072	6.42	139,928	8,750	6.25
Nontaxable	17,476	1,317	7.54	19,240	1,453	7.55
Interest-bearing deposits in banks	30,285	943	3.11	13,317	939	7.05
Federal funds sold	1,597	49	3.07	-	-	
Total interest-earning assets	889,028	76,538	8.61	743,011	69,470	9.35
Noninterest-earning assets:						
Cash	30,270			23,963		
Allowance for loan.losses	(12,121)			(10,144)		
Unrealized gain (loss) on available for sale securities	3,274			(2,007)		
Other assets	49,580			43,398		
Total noninterest-earning assets	71,003			55,210		
Total assets	$ 960,031			$ 798,221		

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AVERAGE BALANCES AND NET INCOME ANALYSIS (CONTINUED)

	Year Ended December 31,					
	2001			2000		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate Paid	Average Balance	Interest Income/ Expense	Average Yield/ Rate Pa

(Dollars in Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities:						
Savings and interest-bearing demand deposits	$ 230,476	$ 5,379	2.33 %	$ 194,895	$ 5,087	2.61 %
Time deposits	452,407	25,057	5.54	370,707	21,666	5.84
Other short-term borrowings	4,523	199	4.40	5,776	428	7.41
Other borrowings	69,159	3,768	5.45	55,322	3,624	6.55
Trust preferred securities	5,078	501	9.87	-	-	-
Total interest-bearing liabilities	761,643	34,904	4.58	626,700	30,805	4.92
Noninterest-bearing liabilities and stockholders' equity:						
Demand deposits	97,981			88,390		
Other liabilities	6,877			6,573		
Stockholders' equity	93,530			76,558		
Total noninterest-bearing liabilities and stockholders' equity	198,388			171,521		
Total liabilities and stockholders' equity	$ 960,031			$ 798,221		
Interest rate spread			4.03 %			4.43 %
Net interest income		$ 41,634			$ 38,665	
Net interest margin		4.68 %				5.20 %

RATE AND VOLUME ANALYSIS

The following table reflects the changes in net interest income resulting from changes in interest rates and from asset and liability volume. Federally tax-exempt interest is presented on a taxable-equivalent basis assuming a 34% federal tax rate. The change in interest attributable to rate has been determined by applying the change in rate between years to average balances outstanding in the later year. The change in interest due to volume has been determined by applying the rate from the earlier year to the change in average balances outstanding between years. Thus, changes that are not solely due to volume have been consistently attributed to rate.

	Year Ended December 31,			
	2001 vs. 2000			
	Increase (Decrease)	Changes Due To Rate	Changes Due To Volume	Increase (Decrease)
	(Dollars in Thousands)			
Increase (decrease) in:				
Income from earning assets:				
Interest and fees on loans	$ 6,829	$ (6,233)	$ 13,062	$ 7,725
Interest on securities:				
Taxable	322	231	91	1,262
Tax exempt	(136)	(3)	(133)	(192)
Interest-bearing deposits in banks	4	(1,192)	1,196	125
Interest on federal funds	49	-	49	-
Total interest income	7,068	(7,197)	14,265	8,920
Expense from interest-bearing liabilities:				
Interest on savings and interest-bearing demand deposits	292	(637)	929	183
Interest on time deposits	3,391	(1,384)	4,775	4,146
Interest on short-term borrowings	(229)	(136)	(93)	191
Interest on other borrowings	144	(762)	906	1,885
Interest on trust preferred securities	501	-	501	-
Total interest expense	4,099	(2,919)	7,018	6,405
Net interest income	$ 2,969	$ (4,278)	$ 7,247	$ 2,515

NONINTEREST INCOME

Service charges on deposit accounts increased $1,328,000 or 20.77% to $7,721,000 in 2001 as compared to $6,393,000 in 2000 on an increase in average deposits of $126,872,000 or 19.58% to $780,864,000 in 2001 from $653,992,000 in 2000. $549,000 or 41.34% of the increase in service charges and $93,854,000 or 73.98% of the increase in average deposits were attributable to the 2001 bank acquisitions. 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. Other service charges, commissions and fees increased $201,000 or 32.32% to $823,000 in 2001 from $622,000 in 2000. Approximately $15,000 or 7.46% of the increase was attributable to the 2001 bank acquisitions. The remaining increase in other service charges, commissions and fees relate to increased activity in the sale of annuities and other financial instruments and increased emphasis on credit life insurance that generated additional fee income. Origination fees on mortgage loans increased $491,000 or 121.23% to $896,000 in 2001 from $405,000 in 2000. The significant increase in mortgage fee income resulted from the volume of mortgage refinancing generated by the decrease in mortgage rates. Approximately $134,000 or 27.29% of the increase was attributable to First Bank of Brunswick acquired in 2001. 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 was attributable to the decrease in mortgage lending activities, particularly the refinancing of mortgage loans, resulting from the stabilization of interest rates during 2000. In 2001, we realized $1,253,000 in gain on sale of securities. There were no sales of securities in 2000. In 1999, we incurred a loss of $91,000 on sale of securities. All other noninterest income increased $237,000 or 29.81% to $1,032,000 in 2001 from $795,000 in 2002, of which $215,000 or 90.72% was attributable to the 2001 bank acquisitions.

Following is a comparison of noninterest income for 2001, 2000 and 1999.

	Year Ended December	
	2001	2000
	(Dollars in Thousa	
Service charges on deposit accounts	$ 7,721	$ 6,393
Mortgage origination fees	896	405
Other service charges, commissions and fees	823	622
Gain (loss) on sale of securities	1,253	-
Other income	1,032	795
	$ 11,725	$ 8,215

NONINTEREST EXPENSE

Salaries and employee benefits increased $1,746,000 or 10.63% to $18,166,000 in 2001 from $16,420,000 in 2000. Approximately $1,627,000 or 93.18% of the increase was attributable to the 2001 bank acquisitions. 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.

Equipment and occupancy expense remained fairly constant during 2001, 2000 and 1999. Equipment and occupancy increased $430,000 or 9.91% to $4,768,000 in 2001 from $4,338,000 in 2000. Approximately $407,000 or 94.65% of the increase was attributable to the 2001 acquisitions. 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.

Amortization of intangible assets increased $381,000 to $1,185,000 in 2001 from $804,000 in 2000. The entire amount of the increase resulted from the amortization of intangible assets arising from the 2001 acquisitions. Amortization of intangible assets remained the same in 2000 as the amount charged to expense in 1999.

NONINTEREST EXPENSE (CONTINUED)

Data processing fees increased $103,000 to $1,250,000 in 2001 from $804,000 in 2000. Approximately $35,000, representing one-third of the increase related to the 2001 acquisitions. The remaining increase was attributable to increased volume of financial data processed in 2001 as compared with 2000. 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 fess that were charged to other expense in 1999. The reclassification of these charges in 1999 to data processing fees was not considered necessary. In addition, we 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 in 1999.

Following is a comparison of noninterest expense for 2001, 2000 and 1999.

	Year Ended December 31,		
	2001	2000	
	(Dollars in Thousands)		
Salaries and employee benefits	$ 18,166	$ 16,420	$
Equipment and occupancy	4,768	4,338	
Amortization of intangible assets	1,185	804	
Data processing fees	1,250	1,147	
Other expense	8,651	7,524	
	$ 34,020	$ 30,233	$

ASSET/LIABILITY MANAGEMENT

A principal objective of our asset/liability management strategy is to minimize its exposure to changes in interest rates by matching the maturity and repricing horizons of interest-earning assets and interest-bearing liabilities. This strategy is overseen in part through the direction of our Asset and Liability Committee (the "ALCO Committee") which establishes policies and monitors results to control interest rate sensitivity.

As part of our interest rate risk management policy, the ALCO Committee examines the extent to which its assets and liabilities are "interest rate-sensitive" and monitors its interest rate-sensitivity "gap". An asset or liability is considered to be interest rate sensitive if it will reprice or mature within the time period analyzed, usually one year or less. The interest rate-sensitivity gap is the difference between the interest-earning assets and interest-bearing liabilities scheduled to mature or reprice within such time period. A gap is considered positive when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities. A gap is considered negative when the amount of interest rate-sensitive liabilities exceeds the interest rate-sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to adversely affect net interest income. If ABC's assets and liabilities were equally flexible and moved concurrently, the impact of any increase or decrease in interest rates on net interest income would be minimal.

A simple interest rate "gap" analysis by itself may not be an accurate indicator of how net interest income will be affected by changes in interest rates. Accordingly, the ALCO Committee also evaluates how the repayment of particular assets and liabilities is impacted by changes in interest rates. Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by changes in interest rates. In addition, the magnitude and duration of changes in interest rates may have a significant impact on net interest income. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may not react identically to changes in market interest rates. Interest rates on certain types of assets and liabilities fluctuate in advance of changes in general market interest rates, while interest rates on other types may lag behind changes in general market rates. In addition, certain assets, such as adjustable rate mortgage loans, have features (generally referred to as "interest rate caps") which limit changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayment and early withdrawal levels also could deviate significantly from those assumed in calculating the interest-rate gap. The ability of many borrowers to service their debts also may decrease in the event of an interest-rate increase.

The following table sets forth the distribution of the repricing of our earning assets and interest-bearing liabilities as of December 31, 2001, the interest rate sensitivity gap (i.e., interest rate sensitive assets divided by interest rate sensitivity liabilities), the cumulative interest rate sensitivity gap ratio (i.e., interest rate sensitive assets divided by interest rate sensitive liabilities) and the cumulative sensitivity gap ratio. The table also sets forth the time periods in which earning assets and liabilities will mature or may reprice in accordance with their contractual terms. However, the table does not necessarily indicate the impact of general interest rate movements on the net interest margin since the repricing of various categories of assets and liabilities is subject to competitive pressures and the needs of our customers. In addition, various assets and liabilities indicated as repricing within the same period may in fact reprice at different times within such period and at different rates.

	At December 31, 200		
	Maturing or Repricing		
	Zero to Three Months	Three Months to One Year	One to Five Years
	(Dollars in Thousands		
Earning assets:			

Interest-bearing deposits in banks	$ 106,172	$ -	$ -
Federal funds sold	44	-	-
Investment securities	27,767	98,653	23,092
Loans	196,600	289,844	305,301
	330,583	388,497	328,393
Interest-bearing liabilities:			
Interest-bearing demand deposits /(1)/	-	80,105	174,196
Savings /(1)/	-	21,888	40,648
Certificates less than $100,000	99,138	195,937	37,160
Certificates, $100,000 and over	50,944	89,417	16,201
Other short-term borrowings	3,792	-	-
Other borrowings	36,607	196	3,301
Trust preferred securities	-	-	-
	190,481	387,543	271,506
Interest rate sensitivity gap	$ 140,102	$ 954	$ 56,887
Cumulative interest rate sensitivity gap	$ 140,102	$ 141,056	$ 197,943
Interest rate sensitivity gap ratio	1.74	1.00	1.21
Cumulative interest rate sensitivity gap ratio	1.74	1.24	1.23

/(1)/ The Company has found that NOW and money-market checking deposits and savings deposits reprice between three months and one year or between one to five years depending on the competition in the market areas where the deposits are located. Therefore, it has placed portions of these deposits in the three months to one year horizon and the one to five years horizon based on estimated amounts repricing in each horizon.

INVESTMENT PORTFOLIO

ABC manages the mix of asset and liability maturities in an effort to control the effects of changes in the general level of interest rates on net interest income. See "--Asset/Liability Management." Except for its effect on the general level of interest rates, inflation does not have a material impact on the us due to the rate variability and short-term maturities of its earning assets. In particular, approximately 60% of the loan portfolio is comprised of loans which mature or reprice within one year or less. Mortgage loans, primarily with five to fifteen year maturities, are also made on a variable rate basis with rates being adjusted every one to five years. Additionally, 81% of the investment portfolio matures or reprices within one year or less.

TYPES OF INVESTMENTS

SECURITIES

Following is a summary of the carrying value of investments as of the end of each reported period:

	December 31,		
	2001	2000	
	(Dollars in Thousands)		
U. S. Government and agency securities	$ 50,473	$ 61,186	$
State and municipal securities	5,339	19,468	
Corporate debt securities	6,715	6,130	
Mortgage-backed securities	89,111	71,221	
Marketable equity securities	496	614	
Restricted equity securities	4,701	3,486	
	$ 156,835	$ 162,105	$

MATURITIES

The amounts of investments in securities in each category as of December 31, 2001 are shown in the following table according to contractual maturity classifications (1) one year or less, (2) after one year through five years, (3) after five years through ten years, and (4) after ten years.

	U. S. Treasury and Other U. S. Government Agencies and Corporations		State an Political Subdiv
	Amount	Yield (1)	Amount
	(Dollars in Thousands)		
Maturity:			
One year or less	$ 20,435	5.58 %	$ 2,631
After one year through five years	97,275	5.41	1,378
After five years through ten years	22,065	6.75	1,027
After ten years	7,020	6.72	303
	$ 146,795	5.70 %	$ 5,339

(1) Yields were computed using coupon interest, adding discount accretion or subtracting premium amortization, as appropriate, on a ratable basis over the life of each security. The weighted average yield for each maturity range was computed using the acquisition price of each security in that range.

(2) Yields on securities of state and political subdivisions are stated on a taxable-equivalent basis, using a tax rate of 34%.

LOAN PORTFOLIO

TYPES OF LOANS

Management believes that our loan portfolio is adequately diversified. The loan portfolio contains no foreign or energy-related loans or significant concentrations in any one industry, with the exception of residential and commercial real estate mortgages, which constituted approximately 53% of our loan portfolio as of December 31, 2001. The amount of loans outstanding at the indicated dates is shown in the following table according to type of loans.

	December 31,			
	2001	2000	1999	199
	(Dollars in Thousands)			
Commercial and financial	$ 152,097	$ 109,647	$ 83,385	$ 70
Agricultural	39,878	34,840	29,694	36
Real estate - construction	24,650	14,046	13,228	8
Real estate - mortgage, farmland	63,533	57,253	59,018	56
Real estate - mortgage, commercial	225,470	160,456	150,075	123
Real estate - mortgage, residential	202,447	128,614	117,936	114
Consumer installment loans	91,557	76,076	59,529	65
Other	5,444	6,449	17,360	1
	805,076	587,381	530,225	477
Less reserve for possible loan losses	14,944	9,832	9,895	10
Loans, net	$ 790,132	$ 577,549	$ 520,330	$ 467

MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATES

Total loans as of December 31, 2001 are shown in the following table according to maturity or repricing opportunities (1) one year or less, (2) after one year through five years, and (3) after five years.

Maturity or Repricing Within:
- One year or less
- After one year through five years
- After five years

The following table summarizes loans at December 31, 2001 with the due dates after one year which (1) have predetermined interest rates and (2) have floating or adjustable interest rates.

Predetermined interest rates
Floating or adjustable interest rates

Records were not available to present the above information in each category listed in the first paragraph above and could not be reconstructed without undue burden.

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NONPERFORMING LOANS

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

	December 31,		
	2001	2000	1999
	(Dollars in Thousand		
Loans accounted for on a nonaccrual basis	$ 11,958	$ 4,863	$ 5,551
Installment loans and term loans contractually past due ninety days or more as to interest or principal payments and still accruing	691	81	48
Loans, the terms of which have been renegotiated to provide a reduction or deferral of interest or principal because of deterioration in the financial position of the borrower	-	-	-
Loans now current about which there are serious doubts as to the ability of the borrower to comply with present loan repayment terms	-	-	-

In the opinion of management, any loans classified by regulatory authorities as doubtful, substandard or special mention that have not been disclosed above do not (i) represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity or capital resources, or (ii) represent material credits about which management is aware of any information which causes management to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms. Any loans classified by regulatory authorities as loss have been charged off.

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SUMMARY OF LOAN LOSS EXPERIENCE

The provision for possible loan losses is created by direct charges to operations. Losses on loans are charged against the allowance in the period in which such loans, in management's opinion, become uncollectible. Recoveries during the period are credited to this allowance. The factors that influence management's judgment in determining the amount charged to operating expense are past loan experience, composition of the loan portfolio, evaluation of possible future losses, current economic conditions and other relevant factors. Our allowance for loan losses was approximately $14,944,000 at December 31, 2001, representing 1.86% of year end total loans outstanding, compared with $9,832,000 at December 31, 2000, which represented 1.67% of year end total loans outstanding. The allowance for loan losses is reviewed quarterly based on management's evaluation of current risk characteristics of the loan portfolio, as well as the impact of prevailing and expected economic business conditions. Management considers the allowance for loan losses adequate to cover possible loan losses on the loans outstanding.

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

The following table sets forth the breakdown of the allowance for loan losses by loan category for the periods indicated. Management believes the allowance can be allocated only on an approximate basis. The allocation of the allowance to each category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any other category.

	At December 31,						
	2001		2000		1999		19
	Amount	Percent of Loans in Category to Total Loans	Amount	Percent of Loans in Category to Total Loans	Amount	Percent of Loans in Category to Total Loans	Amou
	(Dollars in Thousands)						
Commercial, financial, industrial and agricultural	$ 6,009	24 %	$ 2,981	25 %	$ 2,904	22 %	$ 3,0
Real estate	2,825	64	2,925	61	3,213	64	3,4

Consumer	3,420	12	2,156	14	1,997	14	1,9
Unallocated	2,690	-	1,770	-	1,781	-	1,8
	$14,944	100 %	$ 9,832	100 %	$ 9,895	100 %	$ 10,1

	1997	
	Amount	Percent of Loans in Category to Total Loans
Commercial, financial, industrial and agricultural	$ 1,792	23 %
Real estate	3,274	62
Consumer	1,112	15
Unallocated	1,449	-
	$ 7,627	100 %

	December 31,		
	2001	2000	1999
	(Dollars in Thousands		
Average amount of loans outstanding	$ 698,292	$ 570,526	$ 505,941
Balance of reserve for possible loan losses at beginning of period	$ 9,832	$ 9,895	$ 10,192
Charge-offs:			
Commercial, financial and agricultural	(3,534)	(1,077)	(1,383)
Real estate	(626)	(249)	(933)
Consumer	(1,328)	(1,268)	(1,417)
Recoveries:			
Commercial, financial and agricultural	203	302	434
Real estate	546	146	263
Consumer	361	371	585

Net charge-offs	(4,378)	(1,775)	(2,451)
Additions to reserve charged to operating expenses	4,566	1,712	2,154
Allowance for loan losses of acquired subsidiary	4,924	-	-
Balance of reserve for possible loan losses at end of period	$ 14,944	$ 9,832	$ 9,895
Ratio of net loan charge-offs to average loans	.63%	.31%	.48%

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DEPOSITS

Average amount of deposits and average rate paid thereon, classified as to noninterest-bearing demand deposits, interest-bearing demand and savings deposits and time deposits, for the periods indicated are presented below.

	Year Ended De	
	2001	
	Amount	Rate
	(Dollars in T	
Noninterest-bearing demand deposits	$ 97,981	- %
Interest-bearing demand and savings deposits	230,476	2.33
Time deposits	452,407	5.54
Total deposits	$ 780,864	

We have a large, stable base of time deposits with little or no dependence on volatile deposits of $100,000 or more. The time deposits are principally certificates of deposit and individual retirement accounts obtained for individual customers.

The amounts of time certificates of deposit issued in amounts of $100,000 or more as of December 31, 2001, are shown below by category, which is based on time remaining until maturity of (1) three months or less, (2) over three through twelve months and (3) over twelve months.

Three months or less	
Over three through twelve months	
Over twelve months	
Total	

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RETURN ON ASSETS AND SHAREHOLDERS' EQUITY

The following rate of return information for the periods indicated is presented below.

	Year Ended	
	2001	2
Return on assets (1)	1.00 %	
Return on equity (2)	10.30	
Dividends payout ratio (3)	45.71	
Equity to assets ratio (4)	9.74	

(1) Net income divided by average total assets.
(2) Net income divided by average equity.
(3) Dividends declared per share divided by net income per share.
(4) Average equity divided by average total assets.

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 our Banks to meet those needs. ABC and our Banks seek to meet liquidity requirements primarily through management of short-term investments (principally interest-bearing deposits in banks) and monthly amortizing loans. Another source of liquidity is the repayment of maturing single payment loans. In addition, our 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 our Banks are monitored on a periodic basis by state and federal regulatory authorities. At December 31, 2001, the Banks' short-term investments were adequate to cover any reasonable anticipated immediate need for funds. During 2001, we increased our capital by retaining net earnings of $5,173,000 after payment of dividends. We also increased our capital resources by adding $17,356,000 from the issuance of our common stock in connection with business acquisitions consummated in 2001. After recording an increase in capital of $349,000 for unrealized gains on securities available for sale, net of taxes, an increase of $602,000 for restricted stock transactions, and an increase of $12,000 for the exercise of stock options, total capital increased $23,492,000 during 2001. At December 31, 2001, total capital of ABC amounted to $104,148,000. We are aware of no events or trends likely to result in a material change in our liquidity.

At December 31, 2001, we had binding commitments for capital expenditures of approximately $750,000.

In accordance with risk capital guidelines issued by the Federal Reserve Board, we are 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 our Company at December 31, 2001.

	Actual		Required		E
	Amount	Percent	Amount	Percent	Amount
	(Dollars in Thousands)				
Leverage capital	$ 103,506	9.26 %	$ 43,874	4.00 %	$ 59,632
Risk-based capital:					
Core capital	103,506	12.70	32,633	4.00	70,943
Total capital	122,372	15.02	65,266	8.00	57,466

Each Bank also met its individual regulatory capital requirements at December 31, 2001.

COMMITMENTS AND LINES OF CREDIT

In the ordinary course of business, the Banks have granted commitments to extend credit to approved customers. Generally, these commitments to extend credit have been granted on a temporary basis for seasonal or inventory requirements and have been approved by the Banks' Board of Directors. The Banks have also granted commitments to approved customers for standby letters of credit. These commitments are recorded in the financial statements when funds are disbursed or the financial instruments become payable. The Banks use the same credit policies for these off balance sheet commitments as they do for financial instruments that are recorded in the consolidated financial statements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitment amounts expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Following is a summary of the commitments outstanding at December 31, 2001 and 2000.

	2001
	(Dollars in
Commitments to extend credit	$ 114,631
Credit card commitments	13,775
Standby letters of credit	3,405
	$ 131,811

IMPACT OF INFLATION

The consolidated financial statements and related consolidated financial data presented herein have been prepared in accordance with generally accepted accounting principles and practices within the banking industry which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of the Company and its subsidiaries are included on pages F-1 through F-35 of this Annual Report on Form 10-K:

Consolidated Balance Sheets - December 31, 2001 and 2000

Consolidated Statements of Income - Years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Comprehensive Income - Years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Stockholders' Equity - Years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows - Years ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements.

ITEM 9. DISAGREEMENT ON ACCOUNTING AND FINANCIAL DISCLOSURE

During 2001 and 2000, the Company did not change its accountants and there was no disagreement on any matter of accounting principles or practices for financial statement disclosure that would have required the filing of a current report on Form 8-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS, COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report ("ABC's Proxy Statement").

Information concerning the Company's executive officers is included in Item 4.5 of Part I of this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to ABC's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to ABC's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to ABC's Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Item 13(a) 1., 2. and 3.

(a) The following documents are filed as part of this report:

1. Financial statements:

(a) ABC Bancorp and Subsidiaries:

(i) Consolidated Balance Sheets - December 31, 2001 and 2000

(ii) Consolidated Statements of Income - Years ended December 31, 2001, 2000 and 1999

(iii) Consolidated Statements of Comprehensive Income - Years ended December 31, 2001, 2000 and 1999

(iv) Consolidated Statements of Stockholders' Equity - Years ended December 31, 2001, 2000 and 1999

(v) Consolidated Statements of Cash Flows - Years ended December 31, 2001, 2000 and 1999

(vi) Notes to Consolidated Financial Statements

(b) ABC Bancorp (Parent Company Only):

Parent Company only financial information has been included in Note 19 of Notes to Consolidated financial statements.

2. Financial statement schedules:

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

3. Exhibits required by Item 601 of Regulation S-K:

(b) ABC has filed a Current Report on Form 8-K, dated October 29, 2001, concerning the execution and delivery of a Purchase and Assumption Agreement between ABC's wholly-owned subsidiary, Merchants & Farmers Bank, and Security Bank and Trust Company of Albany. The Current Report on Form 8-K was filed under Item 5 of Form 8-K, and no financial information concerning ABC was required to be filed therewith.

ABC has also filed a Current Report on Form 8-K, dated November 5, 2001, concerning the execution and delivery of an Underwriting Agreement among ABC, ABC Bancorp Capital Trust I, Sterne, Agee & Leach, Inc. and Morgan Keegan & Company, Inc. The Current Report on Form 8-K was filed under Item 5 of Form 8-K, and no financial information concerning ABC was required to be filed therewith.

Exhibit No.	Description
3.1	Articles of Incorporation of ABC, as amended (incorporated by reference Exhibit 2.1 to ABC's Regulation A Offering Statement on Form 1-A (File No. 24A-2630) filed August 14, 1987).
3.2	Amendment to Amended Articles of Incorporation dated May 26, 1995 (incorporated

by reference to Exhibit 3.1.1 to ABC's Form 10-K filed March 28, 1996).

3.3	Amendment to Amended Articles of Incorporation (filed as Exhibit 4.3 to ABC's Registration on Form S-4 (Registration No. 333-08301), filed with the Commission o July 17, 1996 and incorporated herein by reference).
3.4	Bylaws of ABC, as amended (incorporated by reference to Exhibit 2.2 to ABC's Regulation A Offering Statement on Form 1-A (File No. 24A-2630) filed August 14, 1987.
3.5	Form of Articles of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.5 to ABC's Annual Report on Form 10-K (File No. 001-13901), filed with the Commission on March 25, 1998).
3.6	Form of Amendment to Bylaws (incorporated by reference to Exhibit 3.6 to ABC's Annual Report on Form 10-K (File No. 001-13901), filed with the Commission on March 25, 1998).
3.7	Form of Articles of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.7 to ABC's Annual Report on Form 10-K (File No. 001-13901), filed with the Commission on March 26, 1999).
3.8	Form of Amendment to Bylaws (incorporated by reference to Exhibit 3.8 to ABC's Annual Report on Form 10-K (File No. 001-13901), filed with the Commission on March 26, 1999).
4.1	Form of Indenture for Subordinated Debentures (incorporated by reference to Exhibi 4.1 to ABC's Registration Statement on Form S-3/A (File No. 333-69140), filed with the Commission on November 2, 2001).
4.2	Form of Subordinated Debenture (incorporated by reference to Exhibit A to Exhibit 4.1 to ABC's Registration Statement on Form S-3/A (File No. 333-69140), filed with the Commission on November 2, 2001).
4.3	Certificate of Trust of ABC Bancorp Capital Trust I (incorporated by reference to Exhibit 4.3 to ABC's Registration Statement on Form S-3 (File No. 333-69140), file with the Commission on September 7, 2001).
4.4	Trust Agreement of ABC Bancorp Capital Trust I (incorporated by reference to Exhibit 4.4 to ABC's Registration Statement on Form S-3 (File No. 333-69140), file with the Commission on September 7, 2001).
4.5	Form of Amended and Restated Trust Agreement of ABC Bancorp Capital Trust I (incorporated by reference to Exhibit 4.5 to ABC's Registration Statement on Form 3/A (File No. 333-69140), filed with the Commission on November 2, 2001).
4.6	Form of ABC Bancorp Capital Trust I Preferred Securities Certificate (incorporated reference to Exhibit D to Exhibit 4.5 to ABC's Registration Statement on Form S-3/ (File No. 333-69140), filed with the Commission on November 2, 2001).

Exhibit No.	Description
4.7	Form of Preferred Securities Guarantee Agreement (incorporated by reference to

	Exhibit 4.7 to ABC's Registration Statement on Form S-3/A (File No. 333-69140), filed with the Commission on November 2, 2001).
4.8	Form of Agreement as to Expenses and Liabilities of ABC Bancorp Capital Trust I (incorporated by reference to Exhibit C to Exhibit 4.5 to ABC's Registration State on Form S-3/A (File No. 333-69140), filed with the Commission on November 2, 2001).
10.1	1985 Incentive Stock Option Plan (filed as Exhibit 5.1 to ABC's Regulation A Offering Statement on Form 1-A (File No. 24A-2630), filed with the Commission on August 14, 1987 and incorporated herein by reference).
10.2	Incentive Stock Option Agreement with Kenneth J. Hunnicutt dated October 17, 1985 (filed as Exhibit 5.2 to ABC's Regulation A Offering Statement on Form 1-A (File N 24A-2630), filed with the Commission on August 14, 1987 and incorporated herein by reference).
10.3	Deferred Compensation Agreement for Kenneth J. Hunnicutt dated December 16, 1986 (filed as Exhibit 5.3 to ABC's Regulation A Offering Statement on Form 1-A (File No. 24A-2630), filed with the Commission on August 14, 1987 and incorporated herein by reference).
10.4	Executive Salary Continuation Agreement dated February 14, 1984 (filed as Exhibit 10.6 to ABC's Annual Report on Form 10-KSB (File Number 2-71257), filed with the Commission on March 27, 1989 and incorporated herein by reference).
10.5	1992 Incentive Stock Option Plan and Option Agreement for K. J. Hunnicutt (filed a Exhibit 10.7 to ABC's Annual Report on Form 10-KSB (File Number 0-16181), filed with the Commission on March 30, 1993 and incorporated herein by reference).
10.6	Executive Employment Agreement with Kenneth J. Hunnicutt dated September 20, 1994 (filed as Exhibit 10.8 to ABC's Annual Report on Form 10-KSB (File Number 0-016181), filed with the Commission on March 30, 1995 and incorporated herein by reference).
10.7	Form of Omnibus Stock Ownership and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.17 to ABC's Annual Report on Form 10-K (File No. 001-13901), filed with the Commission on March 25, 1998).
10.8	Form of Rights Agreement between ABC Bancorp and SunTrust Bank dated as of February 17, 1998 (incorporated by reference to Exhibit 10.18 to ABC's Annual Report on Form 10-K (File No. 001-13901), filed with the Commission on March 25, 1998).
10.9	ABC Bancorp 2000 Officer/Director Stock Bonus Plan (incorporated by reference to Exhibit 10.19 to ABC's Annual Report on Form 10-K (File No. 001-13901), filed with the Commission on March 29, 2000)
10.10	Executive Employment Agreement with Mark D. Thomas dated as of July 12, 1999 (incorporated by reference to Exhibit 10.19 to ABC's Annual Report on Form 10-K (File No. 001-13901) filed with the Commission on March 29, 2001).

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10.11 Form of Severance Protection Agreement between ABC and certain of ABC's other executive officers (incorporated by reference to Exhibit 10.21 to ABC's Annual Rep on Form 10-K (File No. 001-13901), filed with the Commission on March 29, 2001).

10.12 Executive Employment Agreement with W. Edwin Lane, Jr. dated as of August 21, 2001 (incorporated by reference to Exhibit 10.21 to ABC's Quarterly Report on Form 10-Q (File No. 001-13901), filed with the Commission on October 19, 2001).

10.13 Agreement and Plan of Merger by and among ABC, Tri-County Bank and Tri-County Merger Sub, Inc. dated as of November 28, 2000, as amended by Amendment No. 1 thereto dated as of January 26, 2001, and by Amendment No. 2 thereto dated as of February 20, 2001 (incorporated by reference to Exhibit 2.1 to ABC's Annual Report on Form 10-K (File No. 001-13901), filed with the Commission on March 29, 2001).

10.14 Agreement and Plan of Merger by and between ABC and Golden Isles Financial Holdings,Inc. dated as of February 20, 2001 (incorporated by reference to Exhibit to ABC's Current Report on Form 8-K filed with the Commission on February 23, 2001 and incorporated herein by reference).

21.1 Schedule of subsidiaries of ABC Bancorp.

24.1 Power of Attorney relating to this Form 10-K is set forth on the signature pages o Form 10-K.

SIGNATURES

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

ABC BANCORP

Date: 3/19/02

By: /s/ Kenneth J. Hunnicutt

Kenneth J. Hunnicutt, Chief Executive Officer, Director

Date: 3/19/02

By: /s/ Mark D. Thomas

Mark D. Thomas, President, Chief Operating Officer and

Date: 3/19/02

By: /s/ W. Edwin Lane, Jr.

W. Edwin Lane, Jr., Executive Vice President and Chief

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kenneth J. Hunnicutt as his attorney-in-fact, acting with full power of substitution for him in his name, place and stead, in any and all capacities, to sign any amendments to this Form 10-K and to file the same, with exhibits thereto, and any other documents in connection therewith, with the Securities and Exchange Commission and hereby ratifies and confirms all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue thereof.

Pursuant to the requirements of the Exchange Act, this Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Date:	3/19/02	/s/ Kenneth J. Hunnicutt
		Kenneth J. Hunnicutt, Chief Executive Officer, Director
Date:	3/19/02	/s/ Mark D. Thomas
		Mark D. Thomas, President, Chief Operating Officer and D
Date:	3/19/02	/s/ W. Edwin Lane, Jr.
		W. Edwin Lane, Jr., Executive Vice President and Chief F
Date:		
		Johnny W. Floyd, Director
Date:	3/19/02	/s/ J. Raymond Fulp
		J. Raymond Fulp, Director
Date:	3/19/02	/s/ Daniel B. Jeter
		Daniel B. Jeter, Director

Date:		
		Robert P. Lynch, Director
Date:	3/19/02	/s/ Eugene M. Vereen, Jr.
		Eugene M. Vereen, Jr., Director
Date:	3/19/02	/s/ Doyle Weltzbarker
		Doyle Weltzbarker, Director
Date:	3/19/02	/s/ J. Thomas Whelchel
		J. Thomas Whelchel, Director
Date:	3/19/02	/s/ Henry Wortman

--------------------------- --

Henry Wortman, Director

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21.1	Schedule of subsidiaries of ABC Bancorp.
24.1	Power of Attorney relating to this Form 10-K is set forth on the signature pages of this Form 10-K.

ABC BANCORP

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

Consolidated financial statements:

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

INDEPENDENT AUDITOR'S REPORT

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, 2001 and 2000, 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, 2001. 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 auditing standards generally accepted in the United States of America. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Albany, Georgia
February 7, 2002

/s/ Mauldin & Jenkins, LLC

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ABC BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 AND 2000
(Dollars in Thousands)

Assets

Cash and due from banks
Interest-bearing deposits in banks
Securities available for sale, at fair value
Federal funds sold

Loans
Less allowance for loan losses

Loans, net

Premises and equipment, net
Intangible assets
Goodwill
Other assets

Liabilities and Stockholders' Equity

Deposits
Noninterest-bearing
Interest-bearing

Total deposits
Federal funds purchased and securities sold under agreements to repurchase
Other borrowings
Other liabilities
Trust preferred securities

Total liabilities

Commitments and contingencies

Stockholders' equity
Common stock, par value $1; 30,000,000 shares authorized;
10,790,369 and 9,137,990 shares issued
Capital surplus
Retained earnings
Accumulated other comprehensive income
Unearned compensation

Less cost of 790,982 shares acquired for the treasury	
Total stockholders' equity	
	$

See Notes to Consolidated Financial Statements.

ABC BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(Dollars in Thousands)

	2001
Interest income	
Interest and fees on loans	$ 65,157
Interest on taxable securities	9,072
Interest on nontaxable securities	869
Interest on deposits in other banks	943
Interest on federal funds sold	49
	76,090
Interest expense	
Interest on deposits	30,480
Interest on other borrowings	4,424
	34,904
Net interest income	41,186
Provision for loan losses	4,566
Net interest income after provision for loan losses	36,620
Other income	
Service charges on deposit accounts	7,721
Other service charges, commissions and fees	823
Mortgage origination fees	896
Gain (loss) on sale of securities	1,253
Other	1,032
	11,725
Other expenses	
Salaries and employee benefits	18,166

Equipment expense	2,817
Occupancy expense	1,951
Amortization of intangible assets	1,185
Data processing fees	1,250
Other operating expenses	8,651
	34,020
Income before income taxes	14,325
Applicable income taxes	4,692
Net income	$ 9,633
Basic earnings per common share	$ 1.05
Diluted earnings per common share	$ 1.04

See Notes to Consolidated Financial Statements.

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ABC BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(Dollars in Thousands)

	2001
Net income	$ 9,6
Other comprehensive income (loss):	
Net unrealized holding gains (losses) arising during period, net of tax (benefits) of $606, $1,129 and $(973)	1,1
Reclassification adjustment for (gains) losses included in net income, net of (tax) benefit of $(426), $-- and $31	(82
Total other comprehensive income (loss)	3
Comprehensive income	$ 9,9

See Notes to Consolidated Financial Statements.

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ABC BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(Dollars in Thousands)

	Common S
	Shares
Balance, December 31, 1998	7,524,718
Net income	-
Cash dividends declared, $.35 per share	-
Six-for-five stock split	1,516,142
Issuance of restricted shares of common stock under employee incentive plan	57,830
Amortization of unearned compensation, net of forfeitures	-
Repurchase of shares for treasury	-
Other comprehensive loss	-
Balance, December 31, 1999	9,098,690
Net income	-
Cash dividends declared, $.46 per share	-
Issuance of restricted shares of common stock under employee incentive plan	39,300
Amortization of unearned compensation, net of forfeitures	-
Repurchase of shares for treasury	-
Other comprehensive income	-
Balance, December 31, 2000	9,137,990
Net income	-
Cash dividends declared, $.48 per share	-
Adjustments to record acquisition of purchased subsidiaries	1,588,347
Issuance of restricted shares of common stock under employee incentive plan	62,800
Amortization of unearned compensation, net of forfeitures	-
Proceeds from exercise of stock options	1,232
Other comprehensive income	-
Balance, December 31, 2001	10,790,369

See Notes to Consolidated Financial Statements.

Accumulated
Other

Retained Earnings	Comprehensive Income (Loss)	Unearned Compensation	Treasury Stock Shares	Treasury Stock Cost
$ 36,280	$ 322	$ -	305,153	$ (1,970)
8,956	-	-	-	-
(3,048)	-	-	-	-
-	-	-	62,470	-
-	-	(751)	-	-
-	-	191	-	-
-	-	-	7,200	(88)
-	(1,829)	-	-	-
42,188	(1,507)	(560)	374,823	(2,058)
10,098	-	-	-	-
(3,875)	-	-	-	-
-	-	(422)	-	-
-	-	387	-	-
-	-	-	416,159	(4,162)
-	2,192	-	-	-
48,411	685	(595)	790,982	(6,220)
9,633	-	-	-	-
(4,460)	-	-	-	-
-	-	-	-	-
-	-	(663)	-	-
-	-	602	-	-
-	-	-	-	-
-	349	-	-	-
$ 53,584	$ 1,034	$ (656)	790,982	$ (6,220)

ABC BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(Dollars in Thousands)

	2001
OPERATING ACTIVITIES	
Net income	$ 9,63
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,43
Amortization of intangible assets	1,18

Amortization of unearned compensation	60
Net (gains) losses on sale of securities available for sale	(1,253
Net (gains) losses on sale or disposal of premises and equipment	(13
Provision for loan losses	4,56
Provision for deferred taxes	(726
(Increase) decrease in interest receivable	2,23
Increase (decrease) in interest payable	(672
Decrease in taxes receivable	
Increase (decrease) in taxes payable	16
Net other operating activities	(900
Total adjustments	7,62
Net cash provided by operating activities	17,26
INVESTING ACTIVITIES	
(Increase) decrease in interest-bearing deposits in banks	(97,267
Purchases of securities available for sale	(87,800
Proceeds from maturities of securities available for sale	82,51
Proceeds from sale of securities available for sale	42,99
Proceeds from maturities of securities held to maturity	
Decrease in federal funds sold	13,94
Increase in loans, net	(53,244
Purchase of premises and equipment	(1,896
Proceeds from sale of premises and equipment	2
Net cash received from acquisitions	11,60
Net cash used in investing activities	(89,121
FINANCING ACTIVITIES	
Increase in deposits	24,59
Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	1,13
Proceeds from other borrowings	69,73
Repayment of other borrowings	(39,515
Dividends paid	(4,262
Proceeds from exercise of stock options	1
Proceeds from issuance of trust preferred securities	34,50
Payment for debt issue costs	(1,450
Purchase of treasury shares	
Net cash provided by financing activities	84,75
Net increase (decrease) in cash and due from banks	12,89
Cash and due from banks at beginning of year	38,41
Cash and due from banks at end of year	$ 51,30

ABC BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(Dollars in Thousands)

		2001
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$	35,5
Income taxes	$	5,2
NONCASH TRANSACTIONS		
Transfer of securities held to maturity to securities available for sale	$	
Common stock issued in connection with business acquisitions	$	17,5

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 and Southeast Georgia, North Florida 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 accounting principles generally accepted in the United States of America 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 balances 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 in banks and federal funds purchased and securities sold under agreements to repurchase 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LOANS

Loans are reported at their outstanding unpaid principal balances less unearned income and the allowance for loan losses. Interest income is accrued on the unpaid principal balance.

Loan origination fees and direct origination costs of loans are recognized at the time the loan is placed on the books. Because the loan origination fee approximates the cost of most loans and the majority of loans have maturities of one year or less, the effect on operations is immaterial.

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. Loan losses 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 Banks' 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.

A loan is considered impaired when it is probable the Banks 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 by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable 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:

	Years
Buildings	39
Furniture and equipment	5-7

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 included in other assets and is reported net of allowance for losses in the Company's consolidated balance sheets. The carrying amount of other real estate owned at December 31, 2001 and 2000 was $1,249,500 and $620,000, 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 Company, (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 Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

INTANGIBLE ASSETS AND GOODWILL

Intangible assets, arising from excess of purchase price over over the fair value of net assets acquired in purchase transactions, represent identified intangible assets and goodwill. Identified intangible assets are being amortized on a straight-line basis over their useful lives. Goodwill arising from purchase transactions consummated prior to June 30, 2001 has been amortized over a period ranging from 15 to 25 years. In June 2001, the Financial Accounting Standards Board (the FASB) issued two new accounting standards that will significantly affect the accounting for goodwill arising from purchase transactions. See "Delayed Adoption of FASB Statement" included below in this note.

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 carryforwards, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

TREASURY STOCK

The Company's repurchases of shares of its common stock are recorded at cost as "Treasury stock" and result in a reduction of "Stockholders' equity." When treasury shares are reissued, the Company uses a first-in, first-out method and any difference in repurchase cost and reissuance price is recorded as an increase or reduction in "Capital surplus."

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 by the 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. Potential common shares consist of only stock options for the years ended December 31, 2001, 2000 and 1999. The weighted-average number of shares outstanding for the years ended at December 31, 2001, 2000, and 1999 was 9,214,276; 8,460,230; and 8,701,615, respectively. The weighted-average number of shares outstanding and potential shares for the years ended December 31, 2001, 2000 and 1999 was 9,250,040; 8,465,669; and 8,710,685, respectively.

Potential common shares not included due to the fact that they would be anti-dilutive at December 31, 2001, 2000 and 1999 were 30,696; 159,052; and 33,325, respectively.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DELAYED ADOPTION OF FASB STATEMENT

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations consummated after June 30, 2001 be accounted for by the purchase method unless the combination was initiated on or prior to that date and it meets the conditions to be accounted for by the pooling-of-interests method in accordance with AFB Opinion No. 16, "Business Combinations." SFAS No. 142 is required to be applied in years beginning after December 15, 2001. Under SFAS No. 142, goodwill and intangible assets that management concludes has indefinite useful lives will no longer be amortized, but will be subject to impairment tests performed at least annually. Also, upon initial application, the Company is required to perform a transitional impairment test of all previously recognized goodwill and to assign all recognized assets and liabilities to reporting units. Other intangible assets will continue to be amortized over their useful lives as determined at the date of initial application.

The Company will adopt SFAS No. 142 beginning in the first quarter of 2002. Application of the nonamortization provisions of SFAS No. 142 is expected to result in an increase in net income of $602,000 ($.07 per basic and diluted share) per year. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets, but has not yet determined what effect those tests will have on the earnings and financial position of the Company.

RECLASSIFICATION OF CERTAIN ITEMS

Certain items in the consolidated financial statements as of and for the years ended December 31, 2000 and 1999 have been reclassified, with no effect on total assets or net income, to be consistent with the classifications adopted for the year ended December 31, 2001.

NOTE 2. BUSINESS COMBINATIONS

On July 23, 2001, the Company acquired all of the outstanding common shares of Golden Isles Financial Holdings (Golden Isles) in exchange for cash and the Company's common stock, accounted for as a purchase transaction. The results of Golden Isles' operations have been included in the consolidated financial statements since that date. Upon completion of the acquisition, Golden Isles was liquidated and all its assets were transferred to First Bank of Brunswick, its wholly-owned subsidiary, or to the Company. First Bank of Brunswick is a full service commercial bank with headquarters in Brunswick, Georgia and branches in Jekyll Island, St. Simons and Brunswick. As a result of the acquisition, the Company expanded its marketing area for banking services to include a substantial market in Southeast Georgia.

The aggregate purchase price was $24,901,000 including cash of $10,478,000 and the Company's common stock valued at $14,423,000. The value of the 1,240,843 common shares was determined based on the closing price of the Company's common stock on February 20, 2001, the day immediately preceding the date of the announcement of the merger.

NOTE 2. BUSINESS COMBINATIONS (CONTINUED)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	$ 146,741,000
Bank premises and equipment	5,842,000
Intangible assets	3,021,000
Goodwill	10,037,000
Total assets acquired	165,641,000
Current liabilities	131,020,000
Other borrowings	9,720,000
Total liabilities assumed	140,740,000
Net assets acquired	$ 24,901,000

Acquired intangible assets represent core deposit intangibles and are being amortized over the estimated life of the base deposits ranging from six to eight years. These intangible assets were assigned to the First Bank of Brunswick operating unit. Goodwill of $10,037,000 was assigned to the First Bank of Brunswick operating unit. None of the goodwill is expected to be deductible for income tax purposes.

On April 5, 2001, the Company acquired all of the outstanding common shares of Tri-County Bank in exchange for cash and the

Company's common stock, accounted for as a purchase transaction. The results of Tri-County Bank's operations have been included in the consolidated financial statements since that date. Tri-County Bank is a full service commercial bank with headquarters in Trenton, Florida and a subsequently acquired branch in Newberry, Florida. As a result of the acquisition, the Company was able to expand its marketing area for banking services to include North Florida.

The aggregate purchase price was $6,453,000 including cash of $3,286,000 and the Company's common stock valued at $3,167,000. The value of the 347,504 common shares was determined based on the closing price of the Company's common stock on November 27, 2000, the date the definitive merger agreement was signed.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	$ 48,612,000
Bank premises and equipment	519,000

Intangible assets	953,000
Goodwill	769,000
Total assets acquired	50,853,000
Current liabilities	44,400,000
Total liabilities assumed	44,400,000
Net assets acquired	$ 6,453,000

NOTE 2. BUSINESS COMBINATIONS (CONTINUED)

Acquired intangible assets represent core deposit intangibles and are being amortized over the estimated life of the base deposits of ten years. These intangible assets and goodwill were assigned to the Tri-County Bank operating unit. None of the goodwill is expected to be deductible for income tax purposes.

Unaudited pro forma consolidated results of operations for the years ended December 31, 2001 and 2000 as though First Bank of Brunswick and Tri-County Bank had been acquired as of January 1, 2000 follow:

	2001	2000
Net interst income	$ 44,107	$ 44,879
Net income	7,000	10,730
Basic earnings per share	0.70	1.07
Diluted earnings per share	0.70	1.07

The above amounts reflect adjustments for amortization of acquired intangible assets, additional depreciation on revalued purchased assets and imputed interest on borrowed funds.

During 2001, the Company acquired certain assets and assumed certain liabilities of two bank branches located in Colquitt, Georgia and Newberry, Florida. The acquisitions were settled with cash. The fair value of assets acquired amounted to $51,438,000. Intangible assets of $2,262,000, representing core deposit intangibles, were assigned to the Merchants & Farmers Bank and Tri-County Bank operating units and are being amortized over the estimated life of the base deposits of ten years. Fair values of assets acquired and liabilities assumed in the Colquitt acquisition have been estimated and are subject to adjustment. Goodwill of $205,000 resulting from the Newberry acquisition was assigned to the Tri-County Bank operating unit and is being amortized over the estimated life of the base deposits. Preliminary goodwill of $2,419,000 resulting from the Colquitt acquisition was assigned to the Merchants & Farmers Bank operating unit and is being amortized over the estimated life of the base deposits. The goodwill related to these branch acquisitions is expected to be deductible for income tax purposes.

Financial records were not available to present unaudited pro forma consolidated results of operations for the years ended December 31, 2001 and 2000 as though the branches had been acquired as of January 1, 2000.

NOTE 3. INVESTMENTS IN SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
	(Dollars in Thousands)		
Securities Available for Sale			
December 31, 2001:			
U. S. Government and agency securities	$ 49,509	$ 1,034	$ (70)
State and municipal securities	5,239	119	(19)
Corporate debt securities	7,171	2	(458)
Mortgage-backed securities	88,128	1,242	(259)
Equity securities	521	-	(25)
Restricted equity securities	4,701	-	-
	$ 155,269	$ 2,397	$ (831)
December 31, 2000:			
U. S. Government and agency securities	$ 60,467	$ 892	$ (173)
State and municipal securities	19,206	330	(68)
Corporate debt securities	6,101	114	(85)
Mortgage-backed securities	71,160	563	(502)
Equity securities	647	-	(33)
Restricted equity securities	3,486	-	-
	$ 161,067	$ 1,899	$ (861)

The amortized cost and fair value of debt securities as of December 31, 2001 by contractual maturity are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without penalty. Therefore, these securities are not included in the maturity categories in the following maturity summary.

Amortized Cost	Fair Value
(Dollars in Thousands)	

Due in one year or less	$ 3,961	$ 4
Due from one year to five years	36,081	36
Due from five to ten years	18,291	18
Due after ten years	3,586	3
Mortgage-backed securities	88,128	89
Equity securities	521	
Restricted equity securities	4,701	4
	$ 155,269	$ 156

NOTE 3. INVESTMENTS IN SECURITIES (CONTINUED)

Securities with a carrying value of $86,541,872 and $82,568,979 at December 31, 2001 and 2000, 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:

	December 31,		
	2001	2000	19
	(Dollars in Thousands)		
Gross gains on sales of securities	$ 1,253	$ -	$
Gross losses on sales of securities	-	-	
Net realized (losses) on sales of securities available for sale	$ 1,253	$ -	$

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of loans is summarized as follows:

	December 31,	
	2001	2000
	(Dollars in Thousands)	
Commercial and financial	$ 152,097	$ 109,
Agricultural	39,878	34,
Real estate - construction	24,650	14,
Real estate - mortgage, farmland	63,533	57,
Real estate - mortgage, commercial	225,470	160,
Real estate - mortgage, residential	202,447	128,

Consumer installment loans	91,557	76,
Other	5,444	6,
	805,076	587,
Allowance for loan losses	14,944	9,
	$ 790,132	$ 577,

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

	As of and For the Years Ended December 31,		
	2001	2000	1999
Impaired loans without a valuation allowance	$ -	$ -	$
Impaired loans with a valuation allowance	11,958	4,863	5,
Total impaired loans	$ 11,958	$ 4,863	$ 5,
Valuation allowance related to impaired loans	$ 1,984	$ 1,020	$
Average investment in impaired loans	$ 8,249	$ 5,603	$ 6,
Interest income recognized on impaired loans	$ 6	$ 51	$
Foregone interest income on impaired loans	$ 666	$ 541	$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Changes in the allowance for loan losses for the years ended December 31, 2001, 2000, and 1999 are as follows:

	December 31,		
	2001	2000	1999
	(Dollars in Thousands)		
Balance, beginning of year	$ 9,832	$ 9,895	$ 10,1
Provision for loan losses	4,566	1,712	2,1
Loans charged off	(5,488)	(2,594)	(3,7
Recoveries of loans previously charged off	1,110	819	1,2
Acquired loan loss reserve	4,924	-	

Balance, end of year	$ 14,944	$ 9,832	$ 9,8

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, 2001 and 2000 are as follows:

	December 31,	
	2001	2000
	(Dollars in Thousands)	
Balance, beginning of year	$ 36,321	$ 27,4
Advances	9,890	28,8
Repayments	(10,771)	(23,0
Transactions due to change(s) in related parties	(952)	3,1
Balance, end of year	$ 34,488	$ 36,3

NOTE 5. PREMISES AND EQUIPMENT, NET

Premises and equipment are summarized as follows:

	December 31,	
	2001	2000
	(Dollars in Thousands)	
Land	$ 6,200	$ 4,
Buildings	22,260	16,
Furniture and equipment	19,643	17,
Construction in progress; estimated cost to complete, $435	1,697	
	49,800	39,
Accumulated depreciation	(22,979)	19,
	$ 26,821	$ 19,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. DEPOSITS

The aggregate amount of time deposits in denominations of $100,000 or more at December 31, 2001 and 2000 was $156,562,000 and $120,670,000, respectively. The scheduled maturities of time deposits at December 31, 2001 are as follows:

	(Dollars in Thousands)
2002	$ 434,008
2003	37,479
2004	9,304
2005	5,403
2006	2,430
Later years	173
	$ 488,797

NOTE 7. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements, which are secured borrowings, generally mature within one to four days from the transaction date. Securities sold under repurchase agreements are reflected at the amount of cash received in connection with the transactions. The Company may be required to provide additional collateral based on the fair value of the underlying securities. The Company monitors the fair value of the underlying securities on a daily basis. Securities sold under repurchase agreements at December 31, 2001 and 2000 were $3,792,000 and $2,653,000, respectively.

NOTE 8. EMPLOYEE BENEFIT PLANS

The Company has established two retirement plans for eligible employees. 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. 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 2001, 2000 and 1999 amounted to $655,000, $949,000 and $707,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. 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. Cash surrender value of life insurance of $965,000 and $892,000 at December 31, 2001 and 2000 is included in other assets. Accrued deferred compensation of $618,000 and $576,000 at December 31, 2001 and 2000 is included in other liabilities. Aggregate compensation expense under the plans were $43,000, $75,000 and $70,000 for 2001, 2000 and 1999, respectively, and is included in other operating expenses.

NOTE 10. OTHER BORROWINGS

Other borrowings consist of the following:

	December 31	
	2001	
	(Dollars in Thou	
Advances under revolving credit agreement with SunTrust Bank with interest at sixty-day LIBOR rate plus .9% (3.02% at December 31, 2001) due on May 31, 2002; secured by subsidiary bank stock.	$ 100	$
Advances from SunTrust Bank of $10,238,000 with 28 quarterly principal payments of $366,000 at LIBOR plus 1.15% (3.06% at December 31, 2001), maturing July 23, 2008.	9,507	
Advances from Federal Home Loan Bank with interest at adjustable rates (ranging from 2.02% to 5.68% at December 31, 2001) due at various dates from March 21, 2002 to September 8, 2009.	27,000	
Advances from Federal Home Loan Bank with interest at a fixed rate (ranging from 6.46% to 7.23%) due in annual installments at various dates from April 8, 2002 through November 1, 2006.	498	
Advances from Federal Home Loan Bank with interest at a fixed rate (ranging from 4.39% to 6.41%), convertible to a variable rate at option of Federal Home Loan Bank, due at various dates from March 17, 2003 to September 26, 2011.	58,188	
	$ 95,293	$

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, 2001 have maturities in future years as follows:

(Dollars in Thousands

)

2002	$ 2,758
2003	4,599
2004	2,534
2005	16,534
2006	1,484
Later years	67,384
	$ 95,293

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. INCOME TAXES

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

	Years Ended December 31,		
	2001	2000	1999
	(Dollars in Thousands)		
Current	$ 5,418	$ 4,977	$ 4,378
Deferred	(726)	(634)	(87)
	$ 4,692	$ 4,343	$ 4,291

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:

	Years Ended December 31,		
	2001	2000	19
	(Dollars in Thousands)		
Tax at federal income tax rate	$ 4,871	$ 4,910	$ 4
Increase (decrease) resulting from:			
Tax-exempt interest	(476)	(497)	(
Amortization of intangible assets	274	162	
Other	23	(232)	
Provision for income taxes	$ 4,692	$ 4,343	$ 4

Net deferred income tax assets of $3,877,000 and $3,486,000 at

December 31, 2001 and 2000, respectively, are included in other assets. The components of deferred income taxes are as follows:

	December 31,	
	2001	20
	(Dollars in Thousand	
Deferred tax assets:		
Loan loss reserves	$ 4,945	$ 3
Deferred compensation	313	
Unearned compensation related to restricted stock	401	
Nonaccrual interest	429	
Net operating loss tax carryforward	140	
Other	75	
	6,303	4
Deferred tax liabilities:		
Deprecation and amortization	233	
Unrealized gain on securities available for sale	533	
Intangible assets	1,660	
	2,426	
Net deferred tax assets	$ 3,877	$ 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. TRUST PREFERRED SECURITIES

In 2001, the Company formed a wholly-owned grantor trust to issue cumulative trust preferred securities to the public. The grantor trust has invested the proceeds of the trust preferred securities in junior subordinated debentures of the Company. The trust preferred securities can be redeemed prior to maturity at the option of the Company on or after September 30, 2006. The sole assets of the guarantor trust are the Junior Subordinated Deferrable Interest Debentures of the Company (the Debentures) held by the grantor trust. The Debentures have the same interest rate (9%) as the trust preferred securities. The Company has the right to defer interest payments on the Debentures at any time or from time to time for a period not exceeding 20 consecutive quarters provided that no extension period may extend beyond the stated maturity of the related Debentures. During any such extension period, distributions on the trust preferred certificates would also be deferred.

The trust preferred securities are subject to mandatory redemption upon repayment of the related Debentures at their stated maturity date or their earlier redemption at a redemption price equal to their stated maturity date or their earlier redemption at a redemption price equal to their liquidation amount plus accrued distributions to the date fixed for the redemption upon concurrent repayment of the related Debentures. The trust preferred securities may be redeemed in whole or part at any time on or after September 30, 2006.

Payment of periodic cash distributions and payment upon liquidation or redemption with respect to the trust preferred securities are guaranteed by the Company to the extent of funds held by the grantor trust (the Preferred Securities Guarantee). The Preferred Securities Guarantee, when taken together with the Company's other obligations under the Debentures, constitute a full and unconditional guarantee, on a subordinated basis, by the Company of payments due on the trust preferred securities.

The Company is required by the Federal Reserve Board to maintain certain levels of capital for bank regulatory purposes. The Federal Reserve Board has determined that certain cumulative preferred securities having the characteristics of trust preferred securities qualify as minority interest, which is included in Tier 1 capital for bank and financial holding companies. In calculating the amount of Tier l qualifying capital, the trust preferred securities can only be included up to the amount constituting 25% of total Tier 1 capital elements (including trust preferred securities). Such Tier 1 capital treatment provides the Company with a more cost-effective means of obtaining capital for bank regulatory purposed than if the Company were to issue preferred stock.

The trust preferred securities and the related Debentures were issued on November 8, 2001. Both financial instruments bear an identical annual rate of interest of 9%. Distributions on the trust preferred securities are paid quarterly on March 31, June 30, September 30 and December 31 of each year, beginning December 31, 2001. Interest on the Debentures is paid on the corresponding dates. The aggregate principal amount of trust preferred certificates outstanding at December 31, 2001 was $34,500,000. The aggregate principal amount of Debentures outstanding at December 31, 2001 was $35,567,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. 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, 2001. 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 42,750 shares were exercisable as of December 31, 2001.

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, 2001, the Company has issued a total of 171,496 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 $602,000, $387,000 and $191 for 2001, 2000 and 1999, respectively. In addition to the granting of restricted shares, options to purchase 208,442 shares of the Company's common stock have been granted under the Omnibus Plan as of December 31, 2001.

A summary of the status of the three fixed plans at December 31, 2001, 2000 and 1999 and changes during the years ended on those dates is as follows:

	December 31,				
	2001		2000		199
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price	Number
Under option, beginning of the year	239,553	$ 11.00	159,151	$ 11.40	115,966
Granted	71,550	10.60	86,000	10.30	51,280
Exercised	(1,232)	10.09	-	-	-
Forfeited	(23,928)	10.47	(5,598)	11.79	(8,095)
Under option, end of year	285,943	10.95	239,553	11.00	159,151
Exercisable at end of year	99,625		65,781		41,260

Weighted-average fair value per option of options granted during year	$ 1.84	$ 1.78

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. STOCK OPTION PLANS (CONTINUED)

A further summary about options outstanding at December 31, 2001 is as follows:

	Options Outstanding			Options Exercisab	
Range of Exercise Prices	Number Outstanding	Weighted-Average Contractual Life in Years	Weighted-Average Exercise Price	Number Outstanding	We A E
$ 4.50	10,001	1.0	$ 4.50	10,001	$
11.33	67,500	5.3	11.33	42,750	
15.94	24,696	6.0	15.94	14,596	
14.17	6,000	6.3	14.17	3,600	
10.39	600	7.1	10.39	240	
9.90	24,696	7.1	9.90	9,878	
10.11	6,000	7.3	10.11	2,400	
10.83	2,400	7.9	10.83	960	
10.38	70,000	8.1	10.38	14,000	
9.94	3,000	8.5	9.94	600	
8.75	3,000	8.9	8.75	600	
10.50	58,050	9.1	10.50	-	
11.20	10,000	9.5	11.20	-	
	285,943	7.13	10.95	99,625	

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, 2001, 2000 and 1999. 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,	
2001	2000	1999

	Net Income	Basic Earnings Per Share	Net Income	Basic Earnings Per Share	Net Income
As reported	$ 9,633	$ 1.05	$ 10,098	$ 1.19	$ 8,956
Stock based compensation, net of related tax effect	(39)	(.01)	(33)	-	(13)
As adjusted	$ 9,594	$ 1.04	$ 10,065	$ 1.19	$ 8,943

	December 31,				
	2001		2000		1999
	Net Income	Diluted Earnings Per Share	Net Income	Diluted Earnings Per Share	Net Income
As reported	$ 9,633	$ 1.04	$ 10,098	$ 1.19	$ 8,956
Stock based compensation, net of related tax effect	(39)	-	(33)	-	(13)
As adjusted	$ 9,594	$ 1.04	$ 10,065	$ 1.19	$ 8,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. STOCK OPTION PLANS (CONTINUED)

The fair value of the options granted in 2001 was based upon the discounted value of future cash flows of the options using the following assumptions:

Risk-free interest rate	5.05%
Expected life of the options	10 years
Expected dividends (as a percent of the fair value of the stock)	3.60%
Expected volatility	15.04%

NOTE 14. 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, 2001		
Income (Numerator)	Shares (Denominator)	Per Am

	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share			
Net income	$ 9,633	9,214	$
Effect of Dilutive Securities			
Stock options	-	36	
Diluted earnings per share			
Net income	$ 9,633	9,250	$

	Year Ended December 31, 2000		
	Income (Numerator)	Shares (Denominator)	Per Am
Basic earnings per share			
Net income	$ 10,098	8,460	$
Effect of Dilutive Securities			
Stock options	-	5	
Diluted earnings per share			
Net income	$ 10,098	8,465	$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. EARNINGS PER COMMON SHARE (CONTINUED)

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

NOTE 15. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is a party to financial instruments with off-balance -sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments 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:

	December 31, 2001	December 31, 2000
	(Dollars in Thousands)	
Commitments to extend credit	$ 114,631	$ 75,007
Credit card commitments	13,775	10,471
Standby letters of credit	3,405	5,179
	$ 131,811	$ 90,657

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.

NOTE 15. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit 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 16. CONCENTRATIONS OF CREDIT

The Banks make agricultural, agribusiness, commercial, residential and consumer loans to customers primarily in counties in South and Southeast Georgia, North Florida 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 two primary correspondent banks at December 31, 2001 as follows:

Noninterest-bearing accounts	$ 35,376
Interest-bearing accounts	$ 104,334

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. 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, 2001 approximately $8,493,000 of retained earnings were available for dividend declaration without regulatory approval.

The Company and 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 Company and 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 Company and 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, 2001 and 2000, the Company and the Banks meet all capital adequacy requirements to which they are subject.

As of December 31, 2001 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.

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

	Actual				For Capital Adequacy Purposes				To Be Capitali Prompt C Action P	
		Amount	Ratio		Amount	Ratio		Amount		
As of December 31, 2001				(Dollars in Thousands)						
Total Capital to Risk Weighted Assets:										
Consolidated	$	122,372	15.02%	$	65,266	8.00%		- - -N		
American Banking Company	$	14,311	11.19%	$	10,228	8.00%	$	12,785		
Heritage Community Bank	$	6,496	12.28%	$	4,230	8.00%	$	5,288		
Bank of Thomas County	$	3,937	10.99%	$	2,865	8.00%	$	3,582		
Citizens Security Bank	$	13,269	11.94%	$	8,888	8.00%	$	11,110		
Cairo Banking Company	$	7,247	14.80%	$	3,917	8.00%	$	4,897		
Southland Bank	$	19,199	13.33%	$	11,522	8.00%	$	14,403		
Central Bank and Trust	$	5,806	12.02%	$	3,865	8.00%	$	4,831		
First National Bank of South Georgia	$	6,659	10.97%	$	4,858	8.00%	$	6,072		
Merchants and Farmers Bank	$	6,782	11.32%	$	4,794	8.00%	$	5,992		
Tri-County Bank	$	5,599	15.52%	$	2,886	8.00%	$	3,607		
First Bank of Brunswick	$	12,307	12.01%	$	8,196	8.00%	$	10,245		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. REGULATORY MATTERS (CONTINUED)

As of December 31, 2001 (Continued)	Actual		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
Tier I Capital to Risk Weighted Assets:				
Consolidated	$ 103,506	12.70%	$ 32,633	4.00%
American Banking Company	$ 12,710	9.94%	$ 5,114	4.00%
Heritage Community Bank	$ 5,834	11.03%	$ 2,115	4.00%
Bank of Thomas County	$ 3,487	9.74%	$ 1,433	4.00%
Citizens Security Bank	$ 11,876	10.69%	$ 4,444	4.00%
Cairo Banking Company	$ 6,627	13.53%	$ 1,959	4.00%
Southland Bank	$ 17,393	12.08%	$ 5,761	4.00%
Central Bank and Trust	$ 5,200	10.76%	$ 1,933	4.00%
First National Bank of South Georgia	$ 5,899	9.71%	$ 2,429	4.00%
Merchants and Farmers Bank	$ 6,017	10.04%	$ 2,397	4.00%
Tri-County Bank	$ 5,148	14.27%	$ 1,443	4.00%
First Bank of Brunswick	$ 11,010	10.75%	$ 4,098	4.00%
Tier I Capital to Average Assets:				
Consolidated	$ 103,506	9.26%	$ 43,874	4.00%
American Banking Company	$ 12,710	7.18%	$ 7,067	4.00%
Heritage Community Bank	$ 5,834	8.48%	$ 2,753	4.00%
Bank of Thomas County	$ 3,487	7.53%	$ 1,852	4.00%
Citizens Security Bank	$ 11,876	8.03%	$ 5,989	4.00%
Cairo Banking Company	$ 6,627	8.44%	$ 3,129	4.00%
Southland Bank	$ 17,393	6.99%	$ 10,081	4.00%
Central Bank and Trust	$ 5,200	8.66%	$ 2,400	4.00%
First National Bank of South Georgia	$ 5,899	7.88%	$ 2,991	4.00%
Merchants and Farmers Bank	$ 6,017	11.09%	$ 2,344	4.00%
Tri-County Bank	$ 5,148	8.42%	$ 2,557	4.00%
First Bank of Brunswick	$ 11,010	7.56%	$ 6,300	4.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. REGULATORY MATTERS (CONTINUED)

As of December 31, 2000	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	Ca Pr Ac Am
	(Dollars in Thousands)				
Total Capital to Risk Weighted Assets:					
Consolidated	$ 87,544	14.61%	$ 47,935	8.00%	
American Banking Company	$ 14,877	12.43%	$ 9,574	8.00%	$
Heritage Community Bank	$ 5,195	10.88%	$ 3,819	8.00%	$
Bank of Thomas County	$ 3,282	11.65%	$ 2,253	8.00%	$
Citizens Security Bank	$ 12,486	13.75%	$ 7,263	8.00%	$
Cairo Banking Company	$ 7,147	13.49%	$ 4,237	8.00%	$
Southland Bank	$ 17,024	13.36%	$ 10,194	8.00%	$
Central Bank and Trust	$ 5,122	12.26%	$ 3,342	8.00%	$
First National Bank of South Georgia	$ 6,443	10.44%	$ 4,936	8.00%	$
Merchants and Farmers Bank	$ 4,766	14.56%	$ 2,618	8.00%	$
Tier I Capital to Risk Weighted Assets:					
Consolidated	$ 79,954	13.34%	$ 23,967	4.00%	
American Banking Company	$ 13,378	11.18%	$ 4,787	4.00%	$
Heritage Community Bank	$ 4,624	9.69%	$ 1,910	4.00%	$
Bank of Thomas County	$ 2,929	10.40%	$ 1,126	4.00%	$
Citizens Security Bank	$ 11,319	12.47%	$ 3,631	4.00%	$
Cairo Banking Company	$ 6,477	12.23%	$ 2,119	4.00%	$
Southland Bank	$ 15,381	12.07%	$ 5,097	4.00%	$
Central Bank and Trust	$ 4,596	11.00%	$ 1,671	4.00%	$
First National Bank of South Georgia	$ 5,672	9.19%	$ 2,468	4.00%	$
Merchants and Farmers Bank	$ 4,355	13.31%	$ 1,309	4.00%	$
Tier I Capital to Average Assets:					
Consolidated	$ 79,954	9.86%	$ 32,422	4.00%	
American Banking Company	$ 13,378	8.79%	$ 6,091	4.00%	$
Heritage Community Bank	$ 4,624	8.03%	$ 2,302	4.00%	$
Bank of Thomas County	$ 2,929	7.64%	$ 1,534	4.00%	$
Citizens Security Bank	$ 11,319	7.98%	$ 5,672	4.00%	$
Cairo Banking Company	$ 6,477	8.41%	$ 3,079	4.00%	$
Southland Bank	$ 15,381	8.37%	$ 7,350	4.00%	$
Central Bank and Trust	$ 4,596	7.48%	$ 2,456	4.00%	$
First National Bank of South Georgia	$ 5,672	8.04%	$ 2,822	4.00%	$
Merchants and Farmers Bank	$ 4,355	8.92%	$ 1,954	4.00%	$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18. 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 value disclosures for financial instruments.

CASH, DUE FROM BANKS, INTEREST-BEARING DEPOSITS IN BANKS 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.

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, where applicable.

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.

FEDERAL FUND PURCHASED, REPURCHASE AGREEMENTS AND OTHER BORROWINGS:

The fair values of the Company's fixed rate other borrowings are estimated using discounted cash flow models based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amounts of all other variable rate borrowings, federal funds purchased, and securities sold under agreements to repurchase approximate their fair values.

TRUST PREFERRED SECURITIES:

The fair value of the Company's fixed rate trust preferred securities are based on available quoted market prices.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

ACCRUED INTEREST:

The carrying amounts of accrued interest approximate their fair values.

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, 2001		December 31, 2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in Thousands)			
Financial assets:				
Cash and short-term investments	$ 157,475	$ 157,475	$ 43,363	$ 43,
Federal funds sold	$ 44	$ 44	$ -	$
Investments in securities	$ 156,835	$ 156,835	$ 162,105	$ 162,
Loans	$ 805,076	$ 819,616	$ 587,381	$ 576,
Allowance for loan losses	14,944	-	9,832	
Loans, net	$ 790,132	$ 819,616	$ 577,549	$ 576,
Accrued interest receivable	$ 10,767	$ 10,767	$ 11,091	$ 11,

	December 31, 2001		December 31, 2000	
	Carrying Amount	Fair Value	Carrying Amount	Fai Valu
	(Dollars in Thousands)			

Financial liabilities:				
Deposits	$ 931,156	$ 935,729	$ 679,885	$ 680,
Federal funds purchased and securities sold under agreements to repurchase	$ 3,792	$ 3,792	$ 2,653	$ 2,
Other borrowings	$ 95,293	$ 94,067	$ 55,350	$ 55,
Accrued interest payable	$ 3,611	$ 3,611	$ 3,265	$ 3,
Trust preferred securities	$ 34,500	$ 37,088	$ -	$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19. CONDENSED FINANCIAL INFORMATION OF ABC BANCORP (PARENT COMPANY ONLY)

CONDENSED BALANCE SHEETS
DECEMBER 31, 2001 AND 2000
(Dollars In Thousands)

	2001	20
Assets		
Cash	$ 22,187	$
Interest bearing deposits in banks	3,557	
Investment in subsidiaries	116,993	7
Other assets	8,026	
Total assets	$ 150,763	$ 8
Liabilities		
Other borrowings	$ 9,607	$
Other liabilities	2,508	
Trust preferred securities	34,500	
Total liabilities	46,615	
Stockholders' equity	104,148	8
Total liabilities and stockholders' equity	$ 150,763	$ 8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19. CONDENSED FINANCIAL INFORMATION OF ABC BANCORP
(PARENT COMPANY ONLY) (CONTINUED)

CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(Dollars In Thousands)

	2001	2000
Income		
Dividends from subsidiaries	$ 7,386	$ 7,645
Interest	212	52
Fee income	9,252	8,424
Other income	1,002	645
Total income	17,852	16,766
Expense		
Interest	911	174
Amortization and depreciation	1,599	935
Other expense	10,116	9,716
Total expense	12,626	10,825
Income before income tax benefits and equity in undistributed earnings	5,226	5,941
Income tax benefits	590	621
Income before equity in undistributed earnings	5,816	6,562
Equity in undistributed earnings of subsidiaries	3,817	3,536
Net income	$ 9,633	$ 10,098

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19. CONDENSED FINANCIAL INFORMATION OF ABC BANCORP
(PARENT COMPANY ONLY) (CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(Dollars In Thousands)

	2001	2000	
OPERATING ACTIVITIES			
Net income	$ 9,633	$ 10,098	$
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	698	636	
Amortization of intangible assets	299	299	
Amortization of compensation expense	602	387	
Undistributed earnings of subsidiaries	(3,817)	(3,536)	
(Increase) decrease in interest receivable	(2)	2	
Increase (decrease) in interest payable	58	-	
Increase (decrease) in taxes payable	(552)	91	
Provision for deferred taxes	(284)	(203)	
(Increase) decrease in due from subsidiaries	(61)	(117)	
Other operating activities	(729)	302	
Total adjustments	(3,788)	(2,139)	
Net cash provided by operating activities	5,845	7,959	
INVESTING ACTIVITIES			
(Increase) decrease in interest-bearing deposits in banks	(3,557)	1,200	
Purchases of premises and equipment	(111)	(1,521)	
Contribution of capital to subsidiary bank	(8,500)	(400)	
Purchase of securities available for sale	-	-	
Proceeds from sale of premises and equipment	422	979	
Net cash paid for purchased subsidiaries	(11,681)	-	
Net cash provided by (used in) investing activities	(23,427)	258	
FINANCING ACTIVITIES			
Repayment of other borrowings	$ (7,131)	$ (500)	$
Purchase of treasury shares	-	(4,162)	
Dividends paid	(4,262)	(3,745)	
Proceeds from other borrowings	14,738	-	
Proceeds from issuance of trust preferred	34,500	-	
Proceeds from exercise of stock options	12	-	
Net cash provided by (used in) financing activities	37,857	(8,407)	
Net increase (decrease) in cash	20,275	(190)	
Cash at beginning of year	1,912	2,102	
Cash at end of year	$ 22,187	$ 1,912	$

SUPPLEMENTAL DISCLOSURE OF

CASH FLOW INFORMATION			
Cash paid during the year for interest	$ 853	$ 174	$