ANNUAL REPORT 2002

COMPANY PROFILE

ABC Bancorp's primary business is managing our subsidiary banks. Through a focused strategy, the ABC Bancorp family of banks has grown to 11 separately chartered banks with $1.2 billion dollars in assets. These banks have a total of 35 banking locations that span southern Georgia, southeastern Alabama and northern Florida.

Our business model capitalizes on the efficiencies of a billion dollar financial services company while providing the community with the banking service expected by our customers. We manage our banks through a balance of decentralized management responsibilities and efficient centralized operating systems, products and loan underwriting standards. Our Board of Directors establishes corporate policy, strategy and certain administrative policies. Within ABC Bancorp's established guidelines and policies, each bank makes lending and community-specific decisions. This approach allows the banker closest to the customer to respond to the differing needs and demands of their unique market.

Our corporate office is located at 24 Second Avenue, S.E., Moultrie, Georgia 31768. Our telephone number is (229) 890-1111. Our Internet address is www.abcbancorp.com. ABC Bancorp's stock is publicly listed on the NASDAQ under the symbol "ABCB".

MISSION STATEMENT

- ❑ To be a major financial services provider by expanding our presence in Georgia, Alabama and north Florida through branching and acquisitions.
- ❑ To be an employer of choice by developing, energizing, retaining and rewarding our team of quality employees who pursue exceptional performance.
- ❑ To grow market share in our communities by offering superior products that benefit our customers' financial needs through exceptional customer service.
- ❑ To deliver consistent annual earnings growth achieving and maintaining a level of profitability consistent with the top quartile of financial holding companies as measured by ROA (Return on Assets).

ON THE FRONT COVER

(From Left to Right) **JENEANE HINSON,** Retail Banking Officer, American Banking Company; **DONNA GOWEN**, SVP Commercial Lending, The First Bank of Brunswick; **GENE VICKERS**, AVP Branch Manager, Heritage Community Bank; **LILIANA NUNEZ**, Customer Service Representative, American Banking Company

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A CLEAR AND FOCUSED PLAN.

A year of challenges was not without perseverance and dedication.

We are pleased to report that 2002 offered ABC Bancorp an opportunity to showcase our strength and stability as a company that is built on the principles of honesty and sound fiscal management. It is in times such as these — when corporate earnings are often called into question — that true character emerges. While 2002 was not a banner year in terms of investment return, our net income was a respectable $10,355,000 or $1.05 per share. It is the strength of that performance in such a weak market that provides optimism for 2003.

A major highlight of 2002 was our restructuring plan that divides the ABC Bancorp family into two geographic regions — each with a Bancorp executive assigned to support individual bank presidents and their staffs. These additional onsite resources support the banks' efforts to enhance profitability and customer service. It has been a tremendous success. In 2003, we expect to see significant results from this new approach to leadership.

Last year presented an opportunity to isolate problem areas and keep them from adversely affecting future performance. The downturn in the national economy influenced some of the loans in our portfolio. We faced it head-on. Because of our historically conservative business philosophy, loan quality and non-performing assets have been brought back into line. Our practice of timely and accurately grading our loan portfolio kept loan reserves well-funded. We dealt decisively with problem loans thus avoiding additional negative impact on future earnings.

We remained committed to a sound fiscal philosophy that emphasized asset quality and expense control. We exercised caution in merger and acquisition activities. We would rather effectively manage our existing banking network than grow just for the sake of becoming larger.

Honesty and integrity have been the hallmark of ABC Bancorp since its inception. Although 2002 was a challenge to all financial institutions, I am proud of our successes. I am particularly proud because our performance was achieved in a highly volatile business environment. While no one has a crystal ball to look into the coming year, we remain committed to the solid financial decisions made in 2002. I'm optimistic these tough decisions will continue to reward us in the future.

Kenneth J. Hunnicutt, Chairman, President and CEO

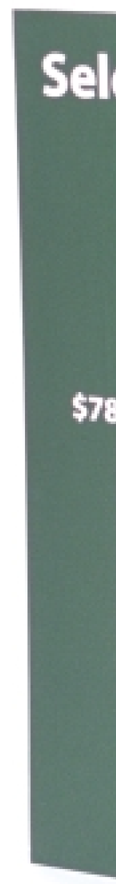
A CLEAR AND FOCUSED RESULT.

ABC Bancorp and Subsidiaries

(Dollars in thousands except per share data)

	2002	2001	2000
EARNINGS SUMMARY			
Net interest income	$ 46,309	$ 41,186	$ 38,171
Provision for loan losses	5,574	4,566	1,712
Non-interest income	15,610	11,725	8,215
Non-interest expense	40,913	34,020	30,233
Income taxes	5,077	4,692	4,343
Net income	$ 10,355	$ 9,633	$ 10,098
PER SHARE SUMMARY			
Common shares outstanding	9,770,936	9,999,387	8,347,008
Weighted average shares	9,858,463	9,214,276	8,460,230
Income per weighted average share - basic	$ 1.05	$ 1.05	$ 1.19
Dividends declared per share	$ 0.48	$ 0.48	$ 0.46
ASSET QUALITY			
Non-performing assets	$ 9,250	$ 13,463	$ 5,606
Net loan charge-offs (recoveries)	$ 5,650	$ 4,378	$ 1,775
Reserve for loan loss to loans	1.78 %	1.86 %	1.67 %
Net loan charge-offs (recoveries) to average loans	0.68 %	0.63 %	0.31 %
Non-performing assets to reserve for loan loss	62.21 %	90.09 %	57.02 %
Non-performing assets to total assets	0.78 %	1.14 %	0.68 %
OTHER KEY DATA			
Net interest rate spread (a)	3.98 %	4.03 %	4.43 %
Net interest margin (a)	4.39 %	4.68 %	5.20 %
Return on average assets	0.90 %	1.00 %	1.27 %
Return on average equity	9.81 %	10.30 %	13.19 %
Efficiency ratio	66.08 %	64.30 %	65.18 %
Book value per share	$ 11.00	$ 10.42	$ 9.66
Tangible book value per share	$ 8.59	$ 7.88	$ 8.84
Stockholders' equity to total assets	9.01 %	8.85 %	9.76 %

(a) Computed using fully taxable-equivalent net income.

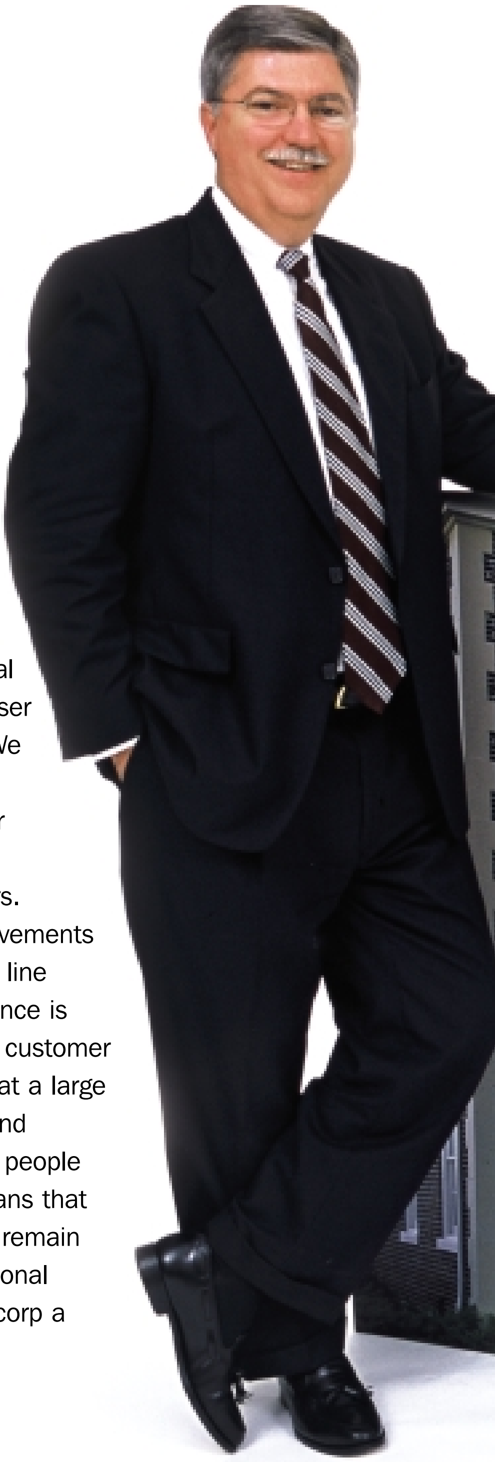


FROM LEFT TO RIGHT

MITCHELL SMITH, VP Corporate Loan Review Manager, ABC Bancorp **JOHNNY DYKES,** Retail Banking Officer, American Banking Company **MARY DUNN,** VP Loan Officer, Tri-County Bank

A CLEAR AND FOCUSED FUTURE.

A new way to effectively manage our banking network.



One of the strengths of ABC Bancorp is our ability to combine the personal service of hometown banks with the collective clout of a regional bank that spans three states. During the last half of 2002, we began taking full advantage of that power with the implementation of our regional executive program.

The program divides the ABC Bancorp subsidiary banks into two geographic areas – each with a regional banking executive assigned to provide personal guidance and support to bank presidents and their staffs. Within the policies and controls set by the Bancorp, decisions are made in the offices of local loan officers and customer service representatives.

While our regional executives are successfully supporting the efforts of the bank presidents, they allow the presidents the room necessary to capitalize on a community bank structure. The presidents remain in charge of their respective banks. Our regional executives make themselves available to promote good communication and morale. Both do a lot of listening. They search for ways to improve the banking experience of each customer.

The regional executive approach represents the implementation of good fiscal management in its truest form. We are more responsive to meeting local needs. We are looking closer at specific performance. We are getting tremendous positive feedback from our associates who have daily contact with our customers.

Although in-house improvements are important, the bottom line measurement of performance is profitability and enhanced customer service. We are proving that a large company can be nimble and respectful. Local business people need quick answers on loans that will help our communities remain vital and grow. Having regional executives gives ABC Bancorp a competitive edge.

FROM LEFT TO RIGHT

EDWIN W. HORTMAN, JR., EVP, Northern Region Executive **JON S. EDWARDS,** EVP, Southern Region Executive

A CLEAR AND FOCUSED RETURN.

ABCB delivered consistent financial results in a difficult economy.

In a year that demonstrated less-than-stellar stock performances for many sectors, ABC Bancorp proved that solid fundamentals can result in respectable returns.

When comparing the 2002 stock performance of ABC Bancorp to certain market indices, the company's performance, while modest, is quite remarkable. At the same time the Dow Jones Industrial Average retreated by more than 15 percent, the Russell 2000 lost about 20 percent and the NASDAQ declined by more than 30 percent, the value of ABC Bancorp stock rose.*

Last year's performance is a tribute to the sound banking principles on which the company was founded more than 30 years ago. There was no new strategy for last year's volatile market conditions. We kept the same steady approach to banking that has served the company well in good times and in more challenging times.

Accomplishments in 2002 that helped maintain a positive direction in the value of the company included the integration of The First Bank of Brunswick operating systems and the hiring of key local investment advisors. These additions led to the rapid transformation of our most recent acquisition. The First Bank of Brunswick is in a position to contribute quickly to the holding company.

In addition to the accomplishments of the past year, our company was included in the Russell 2000, a benchmark index for publicly traded companies in the United States.

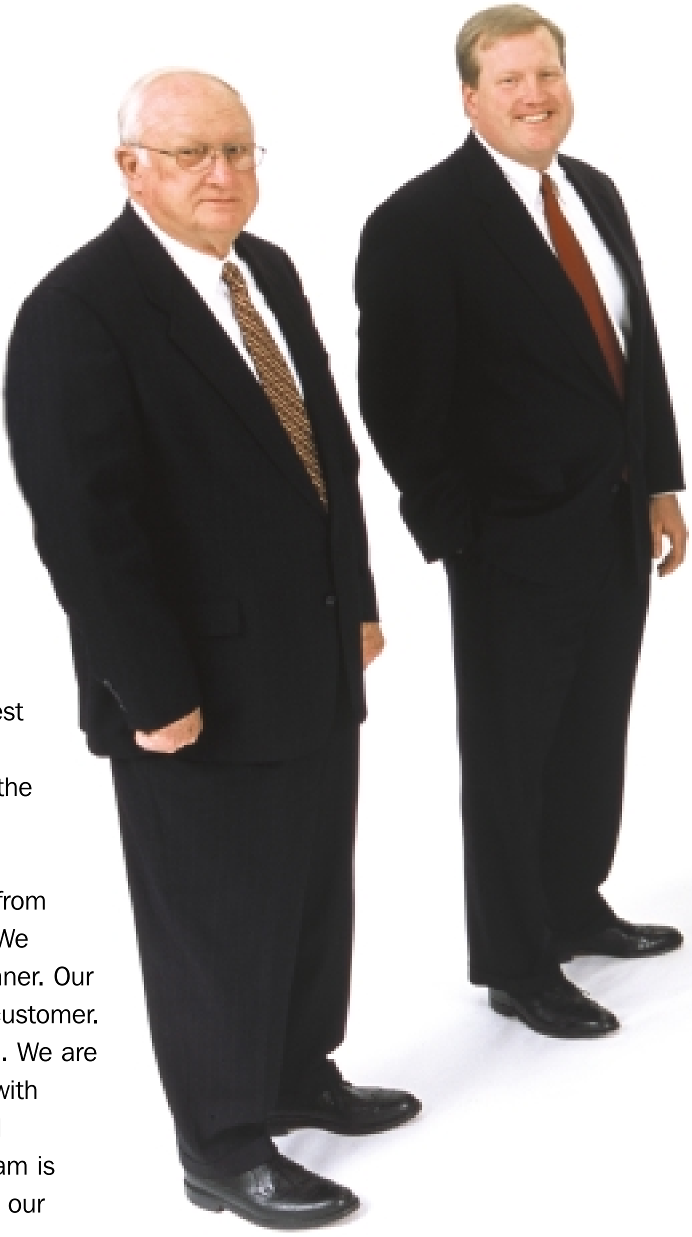
***** This is not a sales offer. Past performance is no indication of future results. As for all investment decisions, it is advisable to seek the guidance of a competent and licensed investment professional. Upon written request, ABC Bancorp will provide, without charge, a copy of the Annual Report on Form 10-K, including the financial statements and the financial statement schedules required to be filed with the Securities and Exchange Commission for fiscal year 2002.*

FROM LEFT TO RIGHT

BETH LEE GARNER, VP Controller, ABC Bancorp; **GREG WOOD,** VP Mortgage Manager, ABC Bancorp; **STEPHANIE TINSON,** Customer Service Representative, First National Bank of South Georgia

A CLEAR AND FOCUSED DIFFERENCE.

Diversifying the way we do business.



The stability and long-term success of ABC Bancorp can be attributed to the vision and commitment of co-founder and CEO Jack Hunnicutt. Our senior management team of accomplished professionals make this vision a reality through a common sense approach to leadership.

They work as a team. Both Bancorp and bank employees pull from their collective experiences to explore innovative and time-proven solutions. These results-driven managers combine the advantages of “best practices” with local banking experience. This approach enhances the opportunity for success for each bank in the ABC Bancorp network.

ABC Bancorp is a regional bank holding company with community bank roots. This commitment separates us from other financial institutions. We offer superior products. We deliver these products in a personalized hometown manner. Our approach is designed to push decisions closest to the customer. We are not burdened by the bureaucracy of megabanks. We are not limited by issues faced by many community banks with limited resources. When a particular strategy is deemed effective in a single market, our senior management team is quick to employ the tactic in other locations throughout our banking network.

FROM LEFT TO RIGHT

KENNETH J. HUNNICUTT, Chairman, President and CEO; **MICHAEL F. MCDONALD,** SVP, Director of Retail Banking; **W. EDWIN LANE, JR., CPA,** EVP, Chief Financial Officer; **CINDI H. LEWIS,** EVP, Director of Human Resources; **CHARLES A. ROBINSON,** SVP, Director of Internal Audit; **MARC E. DEMOTT,** SVP, Director of Automation & Operations; **EDWIN W. HORTMAN, JR.,** EVP Northern Region Executive and President/CEO, Citizens Security Bank; **JON S. EDWARDS,** EVP Southern Region Executive and Director of Credit Administration

A CLEAR AND FOCUSED CONTRIBUTION.

We're making banking fun.

The bottom line at ABC Bancorp is results. For our customers, this means convenience, excellent service and responsible money management. For our company and its shareholders, it means conducting business in an honorable, innovative and enthusiastic manner that brings about maximum sustained profits.

To achieve those goals, employees must be motivated to come to work ready to perform their jobs. They must be proactive in their approach to customer service and hold true to the vision and objectives of the company. It also helps if they can have some fun.

To establish a fun and dynamic work environment, the management team at ABC Bancorp has introduced the FISH! philosophy to create an enjoyable workplace. FISH! has swept the nation with lessons of finding fun and meaning in the most mundane tasks while boosting morale and improving results. It teaches employees to do four things every day: choose your attitude (come to work with a positive mindset), play (find a way to make your daily tasks fun), make their day (create a positive memory for your customers), and be there (really listen and give each customer your full attention).

The employees at ABC Bancorp have embraced this philosophy. They make conscious decisions each day to find a reason to smile or laugh. They truly enjoy the opportunity to impact customer lives in a positive and lasting way. We are confident the results will be felt by our customers and shareholders for many years to come.

FROM LEFT TO RIGHT

ANN DUNN, AVP Operations Manager, Citizens Security Bank, **LILIANA NUNEZ,** Customer Service Representative, American Banking Company, **GENE VICKERS,** AVP Branch Manager, Heritage Community Bank; **DONNA GOWEN,** SVP Commercial Lender, The First Bank of Brunswick

Office Locations of Subsidiary Banks.

GEORGIA

American Banking Company
Moultrie (229) 985-2222
Doerun (229) 985-2222
Quitman Hwy. (229) 985-1111
Sunset (229) 873-4444
www.americanbankingcompany.com

Bank of Thomas County
Thomasville (229) 226-5755
Coolidge (229) 346-3555
www.bankofthomascounty.com

Cairo Banking Company
Cairo (229) 377-1110
Meigs (229) 683-3411
www.cairobankingcompany.com

Central Bank & Trust
Cordele (229) 273-7700
www.centralbankandtrust.com

Citizens Security Bank
Tifton (229) 382-7311
Douglas (912) 384-2701
Ocilla (229) 468-9411
www.citizenssecuritybank.com

First National Bank of South Georgia
Albany (229) 888-5600
Leesburg (229) 434-4550
www.first-nationalbank.com

Heritage Community Bank
Quitman (229) 263-7525
Troupeville (229) 247-5376
Valdosta (229) 241-2851
www.heritage-communitybank.com

Merchants & Farmers Bank
Donalsonville (229) 524-2112
Lake Seminole (229) 861-2213
Colquitt (229) 758-3461
www.merchants-farmersbank.com

The First Bank of Brunswick
Brunswick (912) 267-9500
St. Simons Island (912) 634-1270
North Glynn (912) 264-9699
Jekyll Island (912) 635-9014
www.firstbankbrunswick.com

ALABAMA

Southland Bank
Dothan (334) 671-4000
Headland (334) 693-5411
Abbeville (334) 585-2265
Clayton (334) 775-3211
Eufaula (334) 687-3260
www.southland-bank.com

FLORIDA

Tri-County Bank
Trenton (352) 463-7171
Newberry (352) 472-2162
www.tri-county-bank.com

FROM LEFT TO RIGHT

SUSAN PARKER, VP, Branch Manager, Tri-County Bank; **MARTY CANNINGTON,** VP, Commercial Loan Officer, Cairo Banking Company; **CHUCK OWENS,** VP, Commercial Lending, First National Bank of South Georgia; **KIM ATKINSON,** Customer Service Specialist, Merchants & Farmers Bank

A CLEAR AND FOCUSED LEADERSHIP.

FROM LEFT TO RIGHT

HENRY C. WORTMAN

J. THOMAS WHELCHEL

EUGENE M. VEREEN, JR.
CHAIRMAN EMERITUS

DANIEL B. JETER

KENNETH J. HUNNICUTT
CHAIRMAN

ROBERT P. LYNCH

DOYLE WELTZBARKER
VICE-CHAIRMAN

J. RAYMOND FULP

JOHNNY W. FLOYD
(NOT PICTURED)

FROM LEFT TO RIGHT

LAWTON E. BASSETT, III

JOHN H. FERGUSON

JOHN C. MOSELY

C. LARRY YOUNG

HARRIS O. PITTMAN

TIM S. JONES

MICHAEL D. HODGES

EDWIN W. HORTMAN, JR.

ERVIN E. BROCK

ROBERT L. EVANS

EDGAR B. SMITH, III

RONNIE F. MARCHANT

DAVID B. BATCHELOR

DON MONK

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

ABC Bancorp's (ABC) 2002 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' profitability depends primarily on net interest income, which is the difference between interest income generated from interest-earning assets (i.e., loans and investments) less the interest expense incurred on interest-bearing liabilities (i.e., customer deposits and borrowed funds). Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities, and the interest 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, 2002, 2001 AND 2000

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 decreased 29 basis points to 4.39% in 2002 as compared to 4.68% in 2001. This decrease resulted primarily from the monetary policy pursued by the Federal Reserve during 2002. 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. The Federal Reserve reduced the discount by 50 basis points in November 2002 resulting in the reduction in the prime interest of 50 basis points to 4.25%. As a result of these rate reductions, ABC's average yield on interest-earning assets decreased 157 basis points to 7.04% in 2002 from 8.61% in 2001. The average interest rate paid on interest-bearing liabilities decreased 152 basis points to 3.06% in 2001 from 4.58% in 2001. Average interest-earning assets increased $169,193,000 or 19.03% to $1,058,221,000 in 2002 from $889,028,000 in 2001. Average loans increased $129,647,000 or 18.57% to $827,939,000 in 2002 from $698,292,000 in 2001. Average yield on loans decreased 148 basis points to 7.85% in 2002 as compared to 9.33% in 2001. Average investments increased $9,953,000 or 6.27% to $168,807,000 in 2002 from $158,854,000 in 2001. Average yield on investments decreased 147 basis points or 22.48% to 5.07% in 2002 as compared to 6.54% in 2001. The significant decrease in yield resulted from a significant decrease in nontaxable securities as a percentage of total securities in our investments portfolio in 2002 as compared to 2001. Average interest-bearing deposits in and federal funds sold to other banks increased $29,593,000 or 92.83% to $61,475,000 in 2002 from $31,882,000 in 2001. Although the average yield on deposits in and federal funds sold to other banks decreased 145 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

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

$112,895,000 or 14.46% to $893,759,000 in 2002 from $780,864,000 in 2001 and an increase in average other borrowings and trust preferred securities of $64,801,000 or 82.27% to $143,561,000 in 2002 from $78,760,000 in 2001. Average interest paid on total average deposits decreased 185 basis points or 70.88% to 2.62% in 2002 as compared to 4.46% in 2001. Approximately 13% of the total average deposits were noninterest-bearing deposits in 2002 and 2001.

The net interest margin decreased 52 basis points to 4.68% in 2001 as compared to 5.20% in 2000. This decrease in net interest margin resulted primarily from the monetary policy pursued by the Federal Reserve during 2001 as discussed in the prior paragraph. Our average yield on interest-earning decreased 74 basis points to 8.61% in 2001 from 9.35% in 2000. The average 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 $698,292.000 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

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 $5,574,000 in 2002, $4,566,000 in 2001, and $1,712,000 in 2000. The increase in the provision for loan losses in 2002 was necessary to cover an increase in average loans of 18.57% over 2001 and increase of net loan charge-offs of 29.05% in 2002 as compared to 2001. Real estate loans and consumer loans accounted for the majority of loan charge-offs in 2002. These charge-offs resulted from depressed economic conditions during the year. 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 2002, average loans increased $129,647,000 or 18.57% over 2001 as compared to an increase in average loans of $127,766,000 or 22.39% in 2001 as compared to 2000.

The allowance for loan losses amounted to $14,868,000 at December 31, 2002 and $14,944,000 at December 31, 2001. 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

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

$4,924,000 or 96% of the increase represented loan reserves acquired in bank acquisitions in 2001. Net charge-offs represented 101.36% of the provision for loan losses in 2002 as compared to 95.88% in 2001. Net loan charge-offs for 2002 represented .68% of average loans outstanding during the year as compared to .63% for 2001 and .31% for 2000. At December 31, 2002, the allowance for loan losses was 1.78% of total loans outstanding as compared to an allowance for loan losses of 1.86% of total loans outstanding at December 31, 2001 and 1.67% of total loans outstanding at December 31, 2000. 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 $190,235,000 or 19.82% to $1,150,266,000 in 2002 as compared to $960,031,000 in 2001. The increase in average total assets was accompanied by an increase in average deposits of $112,895,000 or 14.46% to $893,759,000 in 2002 from $780,864,000 in 2001 and an increase of average borrowings of $64,801,000. 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 total 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 borrowings of $17,662,000.

CRITICAL ACCOUNTING POLICIES

The accounting and financial reporting policies of ABC conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. Following is a description of the accounting policies applied by ABC that are deemed "critical". Critical accounting policies are defined as policies that are very important to the presentation of ABC's financial condition and results of operations, and that require management's most difficult, subjective, or complex judgments. ABC's financial results could differ significantly if different judgments or estimates are applied in the application of these policies.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established through provisions for loan losses charged to operations. Loans are charged against the allowance for loan losses when management believes that the collection of principal is unlikely. Subsequent recoveries are added to the allowance. Management's evaluation of the adequacy of the allowance for loan losses is based on a formal analysis that assesses the risk within the loan portfolio. This analysis includes consideration of historical performance, current economic conditions, level of nonperforming loans, loan concentrations, and review of certain individual loans.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the subsidiary banks' allowances for loan losses. Such agencies may require the subsidiary banks to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination.

Considering current information and events regarding a borrower's ability to repay its obligations, management considers a loan to be impaired when the ultimate collectibility of all amounts due, according to the contractual terms of the loan agreement, is in doubt. When a loan is considered to be impaired, the amount of impairment is

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. If the loan is collateral-dependent, the fair value of the collateral is used to determine the amount of impairment. Impairment losses are included in the allowance for loan losses through a charge to the provision for losses on loans.

Subsequent recoveries are credited to the allowance for loan losses. Cash receipts for accruing loans are applied to principal and interest under the contractual terms of the loan agreement. Cash receipts on impaired loans for which the accrual of interest has been discontinued are applied first to principal and then to interest income.

The accounting for impaired loans described above applies to all loans, except for large pools of smaller-balance, homogeneous loans that are collectively evaluated for impairment, loans that are measured at fair value or at the lower of cost or fair value, and debt securities. The allowance for loan losses for large pools of smaller-balance, homogeneous loans is established through consideration of such factors as changes in the nature and volume of the portfolio, overall portfolio quality, adequacy of the underlying collateral, loan concentrations, historical charge-off trends, and economic conditions that may affect the borrowers' ability to pay.

Certain economic and interest rate factors could have a material impact on the determination of the allowance for loan losses. The depth, duration, and dispersion of any economic recession all have an impact on the credit risk profile of the loan portfolio. Additionally, a rapidly rising interest rate environment that may cause rates to reach double digits could as well have a material impact on certain borrowers' ability to pay.

Our current assumptions are that an economic recovery will occur during the second half of 2003 and that the depth of the recession will have already peaked prior to the first half of 2004. Additionally, we are assuming that the effect of the recession will have had its greatest impact on economic conditions, including unemployment, by the end of 2003. With respect to the interest rate environment, ABC anticipates that interest rates will be increasing slightly during 2003. In the event of a dramatic downturn in this recession in which there is a broad effect in all sectors of our economy and/or a significant rapid rise in interest rates to double-digit levels creating higher borrowing costs and tightening corporate profits, ABC's credit costs could increase significantly.

Another factor that we have considered in the determination of the allowance for loan losses is loan concentrations to individual borrowers or industries. At December 31, 2002, ABC had 11 individual credit relationships that exceeded $3.5 million with none exceeding $11 million.

A substantial portion of the loan portfolio is in the commercial real estate and residential real estate sectors Those loans are secured by real estate in ABC's primary market area. A substantial of portion of other real estate owned is located in those same markets. Therefore, the ultimate collectibility of a substantial portion of our loan portfolio and the recovery of a substantial portion of the carrying amount of other real estate owned are susceptible to changes to market conditions in ABC's primary market area.

ABC is closely monitoring certain portions of its loan portfolio that we believe have a higher credit risk profile under the current environment based solely upon their industry classification. Based on current information, we have not identified any problem credits included in these categories, which are not already classified as nonperforming or impaired loans. However, if the economic recovery takes longer than expected, the allowance for loan losses could be impacted by adverse developments in these credits.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INCOME TAXES

SFAS No. 109, "Accounting for Income Taxes," requires the asset and liability approach for financial accounting and reporting for deferred income taxes. We use the asset and liability method of accounting for deferred income taxes and provide deferred income taxes for all significant income tax temporary differences. See Note 11 to the Notes to Consolidated Financial Statements for additional details.

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation and the provision for loan losses, for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities that are included in our consolidated balance sheet.

We must also assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we must establish a valuation allowance. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. To the extent we establish a valuation allowance or adjust this allowance in a period, we must include an expense within the tax provisions in the statement of income.

We have recorded on our consolidated balance sheet net deferred tax assets of $3,632,000 which includes amounts relating to loss carryforwards. We believe there will be sufficient taxable income in the future allowing us to utilize these loss carryforwards in the tax jurisdictions where they exist.

Long-Lived Assets, Including Intangibles

We evaluate long-lived assets, such as property and equipment, specifically identifiable intangibles and goodwill, when events or changes in circumstances indicate that the carrying value of such assets might not be recoverable. Factors that could trigger an impairment include significant underperformance relative to historical or projected future operating results, significant changes in the manner of our use of the acquired assets and significant negative industry or economic trends.

The determination of whether an impairment has occurred is based on an estimate of undiscounted cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment loss recognized would be determined by estimating the fair value of the assets and recording a loss if the fair value was less than the book value.

In determining the existence of impairment factors, our assessment is based on market conditions, operational performance and legal factors of our Company and its subsidiary banks. Our review of factors present and the resulting appropriate carrying value of our goodwill, intangibles, and other long-lived assets are subject to judgments and estimates that management is required to make. Future events could cause us to conclude that impairment indicators exist and that our goodwill, intangibles and other long-lived assets might be impaired.

NONINTEREST INCOME

Service charges on deposit accounts increased $2,829,000 or 36.64% to $10,550,000 in 2002 as compared to $7,721,000 in 2001 on an increase in average deposits of $112,895,000 or 14.46% to $893,759,000 in 2002 from $780,864,000 in 2001. 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 19.59% to $780,864,000 in 2001 from $653,992,000 in 2000. Bank acquisitions in 2001 accounted for $549,000 or 41.34% of the increase in service charges and $93,854,000 or 73.98% of the increase in average deposits. Other service charges, commissions and fees decreased $17,000 to $806,000 in 2002 from $823,000 in 2001. The decline was attributable to a decrease in the sale of annuities and other financial instruments. 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 $469,000 or 52.34% to $1,365,000 from 896,000 in 2001. Such fees 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 and the inclusion of results of operations for the entire year in 2002 for banks acquired in 2001, whose results of operations were included only since the date of acquisition in accordance with purchase accounting. Approximately $134,000 or 27.29% of the increase in 2001 as attributable to First Bank of Brunswick acquired in 2001. In 2002, we realized $1,643,000 in gain on sale of securities as compared to $1,253,000 on sale of securities in 2001. There were no sales of securities in 2000. All other noninterest income increased $214,000 or 20.74 % in 2002 from 2001 and $237,000 or 29.81% in 2001 from 2000. Such increases were primarily attributable to the 2001 bank acquisitions.

Following is a comparison of noninterest income for 2002, 2001 and 2000.

	Year Ended December 31,		
	2002	**2001**	**2000**
	(Dollars in Thousands)		
Service charges on deposit accounts	**$ 10,550**	$ 7,721	$ 6,393
Mortgage origination fees	**1,365**	896	405
Other service charges, commissions and fees	**806**	823	622
Gain on sale of securities	**1,643**	1,253	-
Other income	**1,246**	1,032	795
	$ 15,610	$ 11,725	$ 8,215

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NONINTEREST EXPENSE

Salaries and employee benefits increased $2,989,000 or 16.45% to $21,155,000 in 2002 from $18,166,000 in 2001. Approximately $1,982,000 or 66.31% of the increase resulted from the inclusion of salaries and employee benefits for the entire year in expense for 2002 whereas salaries and benefits were included in expense in 2001 from the dates the banks were acquired in accordance with purchase accounting. Salaries increased $1,880,000; bonuses increased $611,000; retirement expense increased $222,000; and all other employee benefits, including stock options and other grants, insurance and payroll taxes, increased $276,000. Salaries and employee benefits increased $1,746,000 or 10.63% to $18,166,000 in 2001 from $16,420,000 in 2000. Salaries increased $547,000; bonuses increased $468,000; retirement expense increased $242,000; and all other employee benefits, including stock options and other grants, insurance and payroll taxes, increased $489,000. The major portion of the increase in 2001 expense was attributable to the acquisition of three banks in 2001 accounted for as purchase transactions.

Equipment and occupancy expense increased $214,000 to $4,982,000 in 2002 from $4,768,000 in 2001. The 2002 bank acquisitions had the effect of increasing equipment and occupancy expense by $458,000 in 2002. This increase was offset by a reduction in leased equipment expense of $192,000 in 2002 and other reductions totaling 52,000 attributable to decreased depreciation in some of the Banks. 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.

As of January 1, 2002, we were required to adopt the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." The adoption of this statement had the effect of reducing amortization expense by approximately $628,000 (before tax effect) from the amortization expense recorded in 2001. Amortization expense for 2002 also included approximately $1,208,000 additional amortization related to the 2001 bank acquisitions. The additional expense related to acquisitions, net of the nonamortization provisions of the newly adopted accounting statement resulted in a net increase in amortization expense in 2002 of approximately $580,000. 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.

Data processing fees increased $296,000 to $1,546,000 in 2002 from $1,250,000 in 2001. The significant increase in fees is attributable to increased volume of transactions processed following the recent bank acquisitions and the inclusion for the entire year in 2002 of the acquired banks that were only included from the dates they were acquired in 2001. Bank transactions and all accounting data are now processed online on equipment at the Banks, parent company offices or central operations. 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.

All other expense increased $2,814,000 to $11,465,000 in 2002 from $8,651,000 in 2001. Approximately $946,000 or 33.62% of the increase is attributable to the 2001 acquisitions. Included in the 2002 expense was $602,000 in other real estate losses and sale or abandonment of fixed assets. In 2002 we incurred $680,000 more in conversion charges as compared with 2001, $400,000 in additional bank analysis charges and $304,000 in additional postage and stationery supplies. All other expense increased $1,127,000 in 2001 over 2000. Approximately $930,000 or 80% of this increase was attributable to the 2001 acquisitions.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Following is a comparison of noninterest income for 2002, 2001 and 2000.

	Year Ended December 31,		
	2002	2001	2000
	(Dollars in Thousands)		
Salaries and employee benefits	**$ 21,155**	$ 18,166	$ 16,420
Equipment and occupancy	**4,982**	4,768	4,338
Amortization of intangible assets	**1,765**	1,185	804
Data processing fees	**1,546**	1,250	1,147
Other expense	**11,465**	8,651	7,524
	$ 40,913	$ 34,020	$ 30,233

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, 2002, the Banks' short-term investments were adequate to cover any reasonable anticipated immediate need for funds. During 2002, we increased our capital by retaining net earnings of $5,626,000 after payment of dividends. After recording an increase in capital of $602,000 for unrealized gains on securities available for sale, net of taxes, an increase of $444,000 for restricted stock transactions, an increase of $133,000 for the exercise of stock options, total capital increased $3,336,000 during 2002. At December 31, 2002, total capital of ABC amounted to $107,484,000. We are aware of no events or trends likely to result in a material change in our liquidity.

The following table sets forth certain information about contractual cash obligations as of December 31, 2002.

	Payments Due After December 31, 2002				
	Total	**1 Year Or Less**	**1 -3 Years**	**4 -5 Years**	**After 5 Years**
Long-term debt	$ 8,144	$ 1,563	$ 2,925	$ 2,925	$ 731
Federal Home Loan Bank advances	109,146	3,086	16,044	22	89,994
Total contractual cash obligations	$ 117,290	$ 4,649	$ 18,969	$ 2,947	$ 90,725

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's operating leases represent short-term obligations, normally with maturities of one year or less. Many of the operating leases have thirty-day cancellation provisions. The total contractual obligations for operating leases do not require a material amount of the Company's cash funds.

At December 31, 2002, we had no binding commitments for capital expenditures.

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, 2002.

	Actual		Required		Excess	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Leverage capital	**$ 109,733**	**9.49 %**	$ 46,252	4.00 %	$ 63,481	5.49 %
Risk-based capital:						
Core capital	**109,733**	**12.79**	34,325	4.00	75,408	8.79
Total capital	**127,577**	**14.87**	68,649	8.00	58,928	6.87

Each Bank also met its individual regulatory capital requirements at December 31, 2002.

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, 2002 and 2001, 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, 2002. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Albany, Georgia

January 28, 2003

CONSOLIDATED BALANCE SHEETS

December 31, 2002 and 2001

(Dollars in Thousands)

Assets	**2002**	2001
Cash and due from banks	**$ 45,098**	$ 51,303
Interest-bearing deposits in banks	**77,979**	106,172
Securities available for sale, at fair value	**178,303**	152,134
Restricted stock	**5,778**	4,701
Federal funds sold	**-**	44
Loans	**833,447**	805,076
Less allowance for loan losses	**14,868**	14,944
Loans, net	**818,579**	790,132
Premises and equipment, net	**25,327**	26,821
Intangible assets	**4,309**	8,695
Goodwill	**19,240**	16,619
Other assets	**17,864**	20,265
	$ 1,192,477	$ 1,176,886
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	**$ 131,749**	$ 125,522
Interest-bearing	**784,436**	805,634
Total deposits	**916,185**	931,156
Federal funds purchased and securities sold under agreements to repurchase	**8,204**	3,792
Other borrowings	**117,290**	95,293
Other liabilities	**8,814**	7,997
Trust preferred securities	**34,500**	34,500
Total liabilities	**1,084,993**	1,072,738
Commitments and contingencies		
Stockholders' equity		
Common stock, par value $1; 30,000,000 shares authorized; 10,824,257 and 10,790,369 shares issued	**10,824**	10,790
Capital surplus	**45,946**	45,616
Retained earnings	**59,210**	53,584
Accumulated other comprehensive income	**1,636**	1,034
Unearned compensation	**(443)**	(656)
	117,173	110,368
Less cost of 1,053,321 and 790,982 shares acquired for the treasury	**(9,689)**	(6,220)
Total stockholders' equity	**107,484**	104,148
	$ 1,192,477	$ 1,176,886

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2002, 2001 and 2000

(Dollars in Thousands)	2002	2001	2000
Interest income			
Interest and fees on loans	**$ 64,970**	$ 65,157	$ 58,328
Interest on taxable securities	**8,275**	9,072	8,750
Interest on nontaxable securities	**187**	869	959
Interest on deposits in other banks	**1,020**	943	939
Interest on federal funds sold	**1**	49	-
	74,453	76,090	68,976
Interest expense			
Interest on deposits	**20,286**	30,480	26,753
Interest on other borrowings	**7,858**	4,424	4,052
	28,144	34,904	30,805
Net interest income	**46,309**	41,186	38,171
Provision for loan losses	**5,574**	4,566	1,712
Net interest income after provision for loan losses	**40,735**	36,620	36,459
Other income			
Service charges on deposit accounts	**10,550**	7,721	6,393
Other service charges, commissions and fees	**806**	823	622
Mortgage origination fees	**1,365**	896	405
Gain on sale of securities	**1,643**	1,253	-
Other	**1,246**	1,032	795
	15,610	11,725	8,215
Other expenses			
Salaries and employee benefits	**21,155**	18,166	16,420
Equipment expense	**2,394**	2,817	2,484
Occupancy expense	**2,588**	1,951	1,854
Amortization of intangible assets	**1,765**	1,185	804
Data processing fees	**1,546**	1,250	1,147
Other operating expenses	**11,465**	8,651	7,524
	40,913	34,020	30,233
Income before income taxes	**15,432**	14,325	14,441
Applicable income taxes	**5,077**	4,692	4,343
Net income	**$ 10,355**	$ 9,633	$ 10,098
Basic earnings per share	**$ 1.05**	$ 1.05	$ 1.19
Diluted earnings per share	**$ 1.05**	$ 1.04	$ 1.19

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2002, 2001 and 2000

(Dollars in Thousands)	2002	2001	2000
Net income	**$ 10,355**	$ 9,633	$ 10,098
Other comprehensive income:			
Net unrealized holding gains arising during period, net of tax of $869, $606 and $1,129	**1,687**	1,176	2,192
Reclassification adjustment for gains included in net income, net of tax of $558 and $426	**(1,085)**	(827)	-
Total other comprehensive income	**602**	349	2,192
Comprehensive income	**$ 10,957**	$ 9,982	$ 12,290

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2002, 2001 and 2000

(Dollars in Thousands)

	Common Stock		Capital	Retained
	Shares	Par Value	Surplus	Earnings
Balance, December 31, 1999	9,098,690	$ 9,099	$ 28,854	$ 42,188
Net income	-	-	-	10,098
Cash dividends declared, $.46 per share	-	-	-	(3,875)
Issuance of restricted shares of common stock under employee incentive plan	39,300	39	383	-
Amortization of unearned compensation, net of forfeitures	-	-	-	-
Repurchase of shares for treasury	-	-	-	-
Other comprehensive income	-	-	-	-
Balance, December 31, 2000	9,137,990	9,138	29,237	48,411
Net income	-	-	-	9,633
Cash dividends declared, $.48 per share	-	-	-	(4,460)
Adjustments to record acquisition of purchased subsidiaries	1,588,347	1,588	15,768	-
Issuance of restricted shares of common stock under employee incentive plan	62,800	63	600	-
Amortization of unearned compensation, net of forfeitures	-	-	-	-
Proceeds from exercise of stock options	1,232	1	11	-
Other comprehensive income	-	-	-	-
Balance, December 31, 2001	10,790,369	10,790	45,616	53,584
Net income	-	-	-	10,355
Cash dividends declared, $.48 per share	-	-	-	(4,729)
Issuance of restricted shares of common stock under employee incentive plan	15,300	16	215	-
Amortization of unearned compensation, net of forfeitures	-			
Proceeds from exercise of stock options	18,588	18	115	-
Repurchase of shares for treasury	-	-	-	-
Other comprehensive income	-	-	-	-
Balance, December 31, 2002	10,824,257	$ 10,824	$ 45,946	$ 59,210

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2002, 2001 and 2000

(Dollars in Thousands)

Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	Treasury Stock Shares	Treasury Stock Cost	Total
$ (1,507)	$ (560)	374,823	$ (2,058)	$ 76,016
-	-	-	-	10,098
-	-	-	-	(3,875)
-	(422)	-	-	-
-	387	-	-	387
-	-	416,159	(4,162)	(4,162)
2,192	-	-	-	2,192
685	(595)	790,982	(6,220)	80,656
-	-	-	-	9,633
-	-	-	-	(4,460)
-	-	-	-	17,356
-	(663)	-	-	-
-	602	-	-	602
-	-	-	-	12
349	-	-	-	349
1,034	(656)	790,982	(6,220)	104,148
-	-	-	-	10,355
-	-	-	-	(4,729)
	(231)	-	-	-
	444	-	-	444
-	-	-	-	133
-	-	262,339	(3,469)	(3,469)
602	-	-	-	602
$ 1,636	$ (443)	1,053,321	$ (9,689)	$ 107,484

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2002, 2001 and 2000

(Dollars in Thousands)	2002	2001	2000
OPERATING ACTIVITIES			
Net income	**$ 10,355**	$ 9,633	$ 10,098
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**2,241**	2,438	2,189
Amortization of intangible assets	**1,765**	1,185	804
Amortization of unearned compensation	**444**	602	387
Net gains on sale of securities available for sale	**(1,643)**	(1,253)	-
Net (gains) losses on sale or disposal of premises and equipment	**320**	(13)	7
Provision for loan losses	**5,574**	4,566	1,712
Provision for deferred taxes	**(65)**	(726)	(634)
(Increase) decrease in interest receivable	**1,120**	2,233	(1,970)
Increase (decrease) in interest payable	**(1,216)**	(672)	578
Increase (decrease) in taxes payable	**588**	167	(1)
Net other operating activities	**2,964**	(900)	371
Total adjustments	**12,092**	7,627	3,443
Net cash provided by operating activities	**22,447**	17,260	13,541
INVESTING ACTIVITIES			
(Increase) decrease in interest-bearing deposits in banks	**28,193**	(97,267)	27,779
Purchases of securities available for sale	**(140,148)**	(86,585)	(26,927)
Proceeds from maturities of securities available for sale	**78,632**	82,511	15,167
Proceeds from sale of securities available for sale	**37,903**	42,996	-
Purchase of restricted equity securities	**(1,077)**	(1,215)	(34)
Decrease in federal funds sold	**44**	13,942	-
Increase in loans, net	**(34,021)**	(53,244)	(58,931)
Purchase of premises and equipment	**(1,726)**	(1,896)	(2,359)
Proceeds from sale of premises and equipment	**-**	28	-
Net cash received from acquisitions	**-**	11,609	-
Net cash used in investing activities	**(32,200)**	(89,121)	(45,305)
FINANCING ACTIVITIES			
Increase (decrease) in deposits	**(14,971)**	24,591	39,227
Increase in federal funds purchased and securities sold under agreements to repurchase	**4,412**	1,139	2,256
Proceeds from other borrowings	**25,100**	69,738	109,800
Repayment of other borrowings	**(2,908)**	(39,515)	(120,600)
Dividends paid	**(4,749)**	(4,262)	(3,745)
Proceeds from exercise of stock options	**133**	12	-
Proceeds from issuance of trust preferred securities	**-**	34,500	-
Payment for debt issue costs	**-**	(1,450)	-
Purchase of treasury shares	**(3,469)**	-	(4,162)
Net cash provided by financing activities	**3,548**	84,753	22,776
Net increase (decrease) in cash and due from banks	**(6,205)**	12,892	(8,988)
Cash and due from banks at beginning of year	**51,303**	38,411	47,399
Cash and due from banks at end of year	**$ 45,098**	$ 51,303	$ 38,411

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2002, 2001 and 2000

(Dollars in Thousands)	2002	2001	2000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	**$ 29,360**	$ 35,576	$ 30,227
Income taxes	**$ 4,554**	$ 5,251	$ 4,978
NONCASH TRANSACTIONS			
Principal balances of loans transferred to other real estate owned	**$ 3,930**	$ 2,216	$ 1,021
Common stock issued in connection with business acquisitions	**$ -**	$ 17,590	$ -

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 and Accounting Estimates

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

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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, impairment of intangible assets 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 Banks are required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The total of those reserve balances was approximately $6,438,000 and $8,086,000 at December 31, 2002 and 2001, respectively.

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. Management has not classified any of its debt securities as held-to-maturity. 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, net of the related deferred tax effect. Equity securities, including restricted stock, without a readily determinable fair value are classified as available-for-sale and recorded at cost.

Purchase premiums and discounts are recognized in interest income using the interest method based on the terms of the securities. Gains and losses on the sale of securities are determined using the specific identification method. Declines in the fair value of available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans

Loans are reported at their outstanding principal balances less unearned income, net deferred fees, and the allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct loan origination costs, are deferred and recognized as an adjustment of the related loan yield over the life of the loan using a method which approximates a level yield.

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. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses, and may require the Company 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

Intangible Assets and Goodwill

Intangible assets, arising from excess of purchase price over the fair value of net assets acquired in purchase transactions, represent identified intangible assets and goodwill. Identifiable intangible assets are amortized over their estimated useful lives. Goodwill arising from purchase transactions consummated prior to July 1, 2002 had been amortized over periods ranging from 15 to 25 years.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 2001 and 2002, the Financial Accounting Standards Board (the FASB) issued four new accounting standards, which significantly affected the accounting for goodwill and other intangible assets arising from purchase transactions. See "Accounting Standards" included in this note for additional information on SFAS Statements No. 141, 142, 144 and 147. As a result of the application of these new standards, goodwill and intangible assets that management concludes have indefinite useful lives can no longer be amortized, but are subject to impairment tests performed at least annually. Other identifiable intangible assets will continue to be amortized over their estimated useful lives but will be subject to impairment tests.

For the year ended December 31, 2002, no amortization of goodwill was included in the consolidated statement of income. For the years ended December 31, 2001 and 2000, charges in the amount of $668,000 and $627,000, respectively, were included in the consolidated statements of income for amortization of goodwill. Included in the consolidated statements of income for December 31, 2002, 2001 and 2000, were charges for amortization of identifiable intangible assets in the amounts of $1,765,000, $517,000 and $177,000, respectively.

Other Real Estate Owned

Other real estate owned represents properties acquired through foreclosure. Other real estate owned is held for sale and is carried at the lower of cost or fair value less estimated costs to sell. Any write-down to fair value at the time of transfer to other real estate owned is charged to the allowance for loan losses. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets. The carrying amount of other real estate owned at December 31, 2002 and 2001 was $1,534,200 and $1,249,500, respectively.

Income Taxes

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

Stock Compensation Plans

At December 31, 2002, the Company has two stock-based employee compensation plans, which are described more fully in Note 13. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	Years Ended December 31,		
	2002	**2001**	**2000**
	(Dollars in Thousands)		
Net income, as reported	**$ 10,355**	$ 9,633	$ 10,098
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(54)**	(39)	(33)
Pro forma net income	**$ 10,301**	$ 9,594	$ 10,065
Earnings per share:			
Basic - as reported	**$ 1.05**	$ 1.05	$ 1.19
Basic - pro forma	**$ 1.04**	$ 1.04	$ 1.19
Diluted - as reported	**$ 1.05**	$ 1.04	$ 1.19
Diluted - pro forma	**$ 1.04**	$ 1.04	$ 1.19

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2002, 2001 and 2000. The weighted-average number of shares outstanding for the years ended at December 31, 2002, 2001 and 2000 was 9,858,463; 9,214,276 and 8,460,230, respectively. The weighted-average number of shares outstanding and potential shares for the years ended December 31, 2002, 2001 and 2000 was 9,908,663, 9,250,040 and 8,465,669, respectively.

Potential common shares not included due to the fact that they would be anti-dilutive at December 31, 2002, 2001 and 2000 were 89,944, 30,696 and 159,052, 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.

Accounting Standards

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 by the pooling-of-interests method in accordance with APB Opinion No. 16, "Business Combinations." Under SFAS No. 142, goodwill and intangible assets that management concludes have indefinite useful lives will no longer be amortized, but will be subject to impairment tests performed at least annually. SFAS No. 142 also requires the Company to perform a transitional impairment test of all previously recognized goodwill and to assign all recognized assets and liabilities to reporting units. Other identifiable intangible assets will continue to be amortized over their useful lives.

During 2002, the Company performed the first of the required annual impairment tests of goodwill and indefinite lived intangible assets. As a result of this test, no amount was charged to earnings for impairment in 2002. Application of the non-amortization provisions of SFAS No. 142 resulted in an increase of $730,000 ($.07 per share basic and diluted share) in net income for 2002.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions." SFAS No. 147 removed acquisitions of financial institutions from the scope of SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions," which permitted the recognition and subsequent amortization of any excess of the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset. For a transaction that is a business combination, SFAS No. 147 requires that the unidentifiable intangible asset acquired be recognized as goodwill and accounted for under SFAS No. 142. SFAS No. 147 also amended SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term borrower-relationship intangible assets of financial institutions such as depositor-and-borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires of other long-lived assets that are held and used. As a result of the application of SFAS No. 147 as of October 1, 2002, approximately $2,621,000 of previously recognized unidentifiable intangible assets was reclassified to goodwill in 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. The Company has not elected to adopt the recognition provisions of this Statement for stock-based employee compensation and has elected to continue with accounting methodology in Opinion No. 25 as permitted by SFAS No. 123.

Reclassification of Certain Items

Certain items in the consolidated financial statements as of and for the years ended December 31, 2001 and 2000 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, 2002.

NOTE 2. Investments in Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
Securities Available for Sale December 31, 2002:				
U. S. Government and agency securities	**$ 72,326**	**$ 1,488**	**$ (41)**	**$ 73,773**
State and municipal securities	**3,362**	**179**	**(12)**	**3,529**
Corporate debt securities	**22,838**	**384**	**(355)**	**22,867**
Mortgage-backed securities	**76,439**	**921**	**(46)**	**77,314**
Equity securities	**859**	**-**	**(39)**	**820**
	$ 175,824	**$ 2,972**	**$ (493)**	**$ 178,303**
Securities Available for Sale December 31, 2001:				
U. S. Government and agency securities	$ 49,509	$ 1,034	$ (70)	$ 50,473
State and municipal securities	5,239	119	(19)	5,339
Corporate debt securities	7,171	2	(458)	6,715
Mortgage-backed securities	88,128	1,242	(259)	89,111
Equity securities	521	-	(25)	496
	$ 150,568	$ 2,397	$ (831)	$ 152,134

The amortized cost and fair value of debt securities as of December 31, 2002 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	$ 27,493	$ 27,867
Due from one year to five years	60,779	62,283
Due from five to ten years	5,580	5,620
Due after ten years	4,674	4,399
Mortgage-backed securities	76,439	77,314
Equity securities	859	820
	$ 175,824	$ 178,303

NOTE 2. Investments in Securities (Continued)

Securities with a carrying value of $84,535,517 and $86,541,872 at December 31, 2002 and 2001, 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, 2002	December 31, 2001	December 31, 2000
	(Dollars in Thousands)		
Gross gains on sales of securities	**$ 1,643**	$ 1,253	$ -
Gross losses on sales of securities	**-**	-	-
Net realized gains on sales of securities available for sale	**$ 1,643**	$ 1,253	$ -

NOTE 3. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of loans is summarized as follows:

	December 31, 2002	December 31, 2001
	(Dollars in Thousands)	
Commercial and financial	**$ 172,429**	$ 152,097
Agricultural	**34,007**	39,878
Real estate – construction	**23,020**	24,650
Real estate - mortgage, farmland	**63,093**	63,533
Real estate - mortgage, commercial	**243,037**	225,470
Real estate - mortgage, residential	**209,485**	202,447
Consumer installment loans	**78,535**	91,557
Other	**9,841**	5,444
	833,447	805,076
Allowance for loan losses	**14,868**	14,944
	$ 818,579	$ 790,132

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

	As of and For the Years Ended December 31, 2002	2001	2000
Impaired loans without a valuation allowance	**$ -**	$ -	$ -
Impaired loans with a valuation allowance	**7,561**	11,958	4,863
Total impaired loans	**$ 7,561**	$ 11,958	$ 4,863
Valuation allowance related to impaired loans	**$ 1,358**	$ 1,984	$ 1,020
Average investment in impaired loans	**$ 8,966**	$ 8,249	$ 5,603
Interest income recognized on impaired loans	**$ 26**	$ 6	$ 51
Forgone interest income on impaired loans	**$ 792**	$ 666	$ 541

Loans on nonaccrual status amounted to approximately $7,561,000, $11,958,000 and $4,863,000 at December 31, 2002, 2001 and 2000, respectively. There were $171,000, $691,000 and $81,000 of loans past due ninety days or more and still accruing interest at December 31, 2002, 2001, and 2000, respectively.

NOTE 3. LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Changes in the allowance for loan losses for the years ended December 31, 2002, 2001, and 2000 are as follows:

	December 31,		
	2002	2001	2000
	(Dollars in Thousands)		
Balance, beginning of year	**$ 14,944**	$ 9,832	$ 9,895
Provision for loan losses	**5,574**	4,566	1,712
Loans charged off	**(7,159)**	(5,488)	(2,594)
Recoveries of loans previously charged off	**1,509**	1,110	819
Acquired loan loss reserve	**-**	4,924	-
Balance, end of year	**$ 14,868**	$ 14,944	$ 9,832

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, 2002 and 2001 are as follows:

	December 31,	
	2002	2001
	(Dollars in Thousands)	
Balance, beginning of year	**$ 34,488**	$ 36,321
Advances	**33,424**	9,890
Repayments	**(26,285)**	(10,771)
Transactions due to changes in related parties	**1,180**	(952)
Balance, end of year	**$ 42,807**	$ 34,488

NOTE 4. PREMISES AND EQUIPMENT, NET

Premises and equipment are summarized as follows:

	December 31,	
	2002	2001
	(Dollars in Thousands)	
Land	**$ 6,096**	$ 6,200
Buildings	**22,618**	22,260
Furniture and equipment	**17,889**	19,643
Construction in progress, estimated cost to complete, $35,000	**472**	1,697
	47,075	49,800
Accumulated depreciation	**(21,748)**	(22,979)
	$ 25,327	$ 26,821

NOTE 5. INTANGIBLE ASSETS

Following is a summary of information related to acquired intangible assets:

	December 31, 2002		December 31, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Dollars in Thousands)			
Amortized intangible assets				
Core deposit premiums	**$ 8,896**	**$ 4,587**	$ 11,517	$ 2,822
Unamortized intangible assets				
Goodwill	**$ 19,240**		$ 16,619	

The aggregate amortization expense was $1,765,000, $1,185,000 and $804,000 for the years ended December 31, 2002, 2001, and 2000, respectively.

The estimated amortization expense for each of the next five years is as follows:

2003	$ 1,023,000
2004	790,000
2005	642,000
2006	549,000
2007	490,000

There were no changes in the carrying amount of goodwill during the year ended December 31, 2002, except for the reclassification of approximately $2,621,000 of previously recognized unidentifiable intangible assets in accordance with SFAS No. 147.

Following is a summary of net income and earnings per share that would have been reported exclusive of amortization expense recognized in those periods related to goodwill and intangible assets that are no longer being amortized.

	For the Year Ended December 31,		
	2002	2001	2000
	(Dollars in Thousands)		
Reported net income	**$ 10,355**	$ 9,633	$ 10,098
Add back goodwill amortization	**-**	668	627
Adjusted net income	**$ 10,355**	$ 10,301	$ 10,725
Basic earnings per share:			
Reported net income	**$ 1.05**	$ 1.05	$ 1.19
Goodwill amortization	**-**	.07	.07
Adjusted net income	**$ 1.05**	$ 1.12	$ 1.26
Diluted earnings per share:			
Reported net income	**$ 1.05**	$ 1.04	$ 1.19
Goodwill amortization	**-**	.07	.07
Adjusted net income	**$ 1.05**	$ 1.11	$ 1.26

NOTE 6. DEPOSITS

The aggregate amount of time deposits in denominations of $100,000 or more at December 31, 2002 and 2001 was $155,048,000 and $156,562,000, respectively. The scheduled maturities of time deposits at December 31, 2002 are as follows:

	(Deposits in Thousands)
2003	$ 407,921
2004	36,122
2005	12,212
2006	3,886
2007	4,550
Later years	77
	$ 464,768

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, 2002 and 2001 were $8,204,000 and $3,792,000, respectively.

NOTE 8. EMPLOYEE BENEFIT PLANS

The Company has established a retirement plan 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. All full-time and part-time employees are eligible to participate in the 401(k) Profit Sharing Plan provided they have met the eligibility requirements. Generally, a participant must have completed twelve months of employment with a minimum of 1,000 hours.

In 2002, the Company terminated the ABC Bancorp Money Purchase Pension Plan. All fully funded employee benefits under the plan were transferred to the 401(k) profit sharing plan.

Aggregate expense under the two plans charged to operations during 2002, 2001 and 2000 amounted to $877,000, $655,000 and $949,000, respectively.

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 $1,038,000 and $965,000 at December 31, 2002 and 2001 is included in other assets. Accrued deferred compensation of $1,012,000 and $919,000 at December 31, 2002 and 2001 is included in other liabilities. Aggregate compensation expense under the plans were $93,000, $74,000 and $43,000 for 2002, 2001 and 2000, respectively, and is included in other operating expenses.

NOTE 10. OTHER BORROWINGS

Other borrowings consist of the following:

	December 31,	
	2002	**2001**
	(Dollars in Thousands)	
Advances under revolving credit agreement with SunTrust Bank with interest at LIBOR plus 1.15% (2.57% at December 31, 2002) due on May 31, 2003; secured by subsidiary bank stock.	**$ 100**	$ 100
Advances from SunTrust Bank with 28 quarterly principal payments of $366,000 at sixty-day LIBOR rate plus .9% (2.28% at December 31, 2002), maturing July 23, 2008.	**8,044**	9,507
Advances from Federal Home Loan Bank with interest at adjustable rates (ranging from 1.42% to 4.88% at December 31, 2002) due at various dates from April 2, 2003 to September 8, 2009.	**26,000**	27,000
Advances from Federal Home Loan Bank with interest at a fixed rate (ranging from 6.72% to 7.23%) due in annual installments at various dates from September 8, 2003 through November 1, 2006.	**152**	498
Advances from Federal Home Loan Bank with interest at a fixed rate (ranging from 3.66% to 6.41%) convertible to a variable rate at option of Federal Home Loan Bank, due at various dates from March 17, 2003 through August 6, 2012.	**82,994**	58,188
	$ 117,290	$ 95,293

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

NOTE 10. OTHER BORROWINGS (Continued)

Other borrowings at December 31, 2002 have maturities in future years as follows:

	(Dollars in Thousands)
2003	$ 4,649
2004	2,484
2005	16,485
2006	1,484
2007	1,463
Later years	90,725
	$ 117,290

NOTE 11. INCOME TAXES

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

	Years Ended December 31,		
	2002	2001	2000
	(Dollars in Thousands)		
Current	**$ 5,142**	$ 5,418	$ 4,977
Deferred	**(65)**	(726)	(634)
	$ 5,077	$ 4,692	$ 4,343

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,		
	2002	2001	2000
	(Dollars in Thousands)		
Tax at federal income tax rate	**$ 5,247**	$ 4,871	$ 4,910
Increase (decrease) resulting from:			
Tax-exempt interest	**(224)**	(476)	(497)
Amortization of intangible assets	**33**	274	162
Other	**21**	23	(232)
Provision for income taxes	**$ 5,077**	$ 4,692	$ 4,343

NOTE 11. INCOME TAXES (Continued)

Net deferred income tax assets of $3,632,000 and $3,877,000 at December 31, 2002 and 2001, respectively, are included in other assets. The components of deferred income taxes are as follows:

	December 31,	
	2002	**2001**
	(Dollars in Thousands)	
Deferred tax assets:		
Loan loss reserves	**$ 4,942**	$ 4,945
Deferred compensation	**344**	313
Unearned compensation related to restricted stock	**295**	401
Nonaccrual interest	**235**	429
Net operating loss tax carryforward	**115**	140
Other	**121**	75
	6,052	6,303
Deferred tax liabilities:		
Deprecation and amortization	**242**	233
Unrealized gain on securities available for sale	**843**	533
Intangible assets	**1,335**	1,660
	2,420	2,426
Net deferred tax assets	**$ 3,632**	$ 3,877

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

NOTE 12. TRUST PREFERRED SECURITIES (Continued)

(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 I 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 purposes 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. Interest on the Debentures is paid on the corresponding dates. The aggregate principal amount of trust preferred certificates outstanding at December 31, 2002 and 2001 was $34,500,000. The aggregate principal amount of Debentures outstanding at December 31, 2002 and 2001 was $35,567,000.

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 10,000 shares were granted. All of these options were exercised during 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 51,450 shares were exercisable as of December 31, 2002.

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, 2002, the Company has issued a total of 186,796 restricted shares under the Omnibus Plan as compensation for certain 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 $444,000, $602,000 and $387,000 for 2002, 2001 and 2000, respectively. In addition to the granting of restricted shares, options to purchase 246,488 shares of the Company's common stock have been granted under the Omnibus Plan as of December 31, 2002.

NOTE 13. STOCK OPTION PLANS (Continued)

Other borrowings at December 31, 2002 have maturities in future years as follows:

	December 31,					
	2002		2001		2000	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
Under option, beginning of the year	**285,943**	**$ 10.95**	239,553	$ 11.00	159,151	$ 11.40
Granted	**81,950**	**14.42**	71,550	10.60	86,000	10.30
Exercised	**(18,589)**	**7.17**	(1,232)	10.09	-	-
Forfeited	**(35,316)**	**12.06**	(23,928)	10.47	(5,598)	11.79
Under option, end of year	**313,988**	**11.95**	285,943	10.95	239,553	11.00
Exercisable at end of year	**130,352**		99,625		65,781	
Weighted-average fair value per option of options granted during year		**$ 2.96**		$ 1.84		$ 1.78

Information pertaining to options outstanding at December 31, 2002 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Contractual Life in Years	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
$ 11.33	67,500	4.3	11.33	51,450	11.33
15.94	23,994	5.0	15.94	19,195	15.94
14.17	6,000	5.3	14.17	4,800	14.17
10.39	600	6.1	10.39	360	10.39
9.90	23,994	6.1	9.90	14,397	9.90
10.11	6,000	6.3	10.11	3,600	10.11
10.83	2,400	6.9	10.83	1,440	10.83
10.38	57,000	7.1	10.38	22,800	10.38
9.94	3,000	7.5	9.94	1,200	9.94
10.50	45,550	8.1	10.50	9,110	10.50
11.20	10,000	8.5	11.20	2,000	11.20
13.25	8,000	9.2	13.25	-	
14.55	59,950	9.7	14.55	-	
	313,988	6.95	11.95	130,352	11.67

NOTE 13. STOCK OPTION PLANS (Continued)

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

	Years Ended December 31,		
	2002	**2001**	**2000**
Dividend yield	**3.60%**	3.60%	4.57%
Expected life	**7 years**	10 years	10 years
Expected volatility	**22.80%**	15.04%	17.34%
Risk-free interest rate	**4.60%**	5.05%	5.76%

NOTE 14. EARNINGS PER SHARE

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

	Years Ended December 31,		
	2002	**2001**	**2000**
Net income	**$ 10,355**	$ 9,633	$ 10,098
Weighted average number of common shares outstanding	**9,859**	9,214	8,460
Effect of dilutive options	**50**	36	5
Weighted average number of common shares outstanding used to calculate dilutive earnings per share	**9,909**	9,250	8,465

NOTE 15. COMMITMENTS AND CONTINGENT LIABILITIES

Loan Commitments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. 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,	
	2002	**2001**
	(Dollars in Thousands)	
Commitments to extend credit	**$ 89,540**	$114,631
Credit card commitments	**-**	13,775
Standby letters of credit	**5,315**	3,405
	$ 94,855	$131,811

NOTE 15. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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.

There are no credit card commitments at December 31, 2002 because the Company sold its credit card portfolio during the year. The Company is obligated to repurchase credit card accounts that did meet certain criteria as of the preliminary closing date. As of December 31, 2002, the Company has accrued this potential liability based on the past average loss experience.

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.

Contingencies

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

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, 2002 as follows:

Noninterest-bearing accounts	$ 28,848
Interest-bearing accounts	$ 76,337

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, 2002, approximately $10,400,000 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. 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, as defined and of Tier I capital to average assets, as defined. Management believes, as of December 31, 2002 and 2001, the Company and the Banks met all capital adequacy requirements to which they are subject.

As of December 31, 2002, 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.

As of December 31, 2002	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
Total Capital	Amount	Ratio	Amount	Ratio	Amount	Ratio
to Risk Weighted Assets:			(Dollars in Thousands)			
Consolidated	$ 127,577	14.87%	$ 68,649	8.00%	– N/A –	– N/A –
American Banking Company	$ 17,374	13.63%	$ 10,200	8.00%	$ 12,750	10.00%
Heritage Community Bank	$ 8,210	12.30%	$ 5,342	8.00%	$ 6,678	10.00%
Bank of Thomas County	$ 4,813	11.67%	$ 3,299	8.00%	$ 4,124	10.00%
Citizens Security Bank	$ 14,937	11.95%	$ 10,002	8.00%	$ 12,502	10.00%
Cairo Banking Company	$ 7,236	13.85%	$ 4,181	8.00%	$ 5,226	10.00%
Southland Bank	$ 19,782	14.13%	$ 11,198	8.00%	$ 13,998	10.00%
Central Bank and Trust	$ 5,721	13.04%	$ 3,509	8.00%	$ 4,386	10.00%
First National Bank of South Georgia	$ 6,772	11.21%	$ 4,833	8.00%	$ 6,041	10.00%
Merchants and Farmers Bank	$ 8,266	14.40%	$ 4,591	8.00%	$ 5,739	10.00%
Tri-County Bank	$ 6,589	16.20%	$ 3,254	8.00%	$ 4,067	10.00%
First Bank of Brunswick	$ 14,342	12.15%	$ 9,443	8.00%	$ 11,804	10.00%

NOTE 17. REGULATORY MATTERS (Continued)

As of December 31, 2002 (Continued)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
Tier 1 to Capital to Risk Weighted Assets:						
Consolidated	$ 109,733	12.79%	$ 34,325	4.00%	– N/A –	– N/A –
American Banking Company	$ 15,776	12.37%	$ 5,100	4.00%	$ 7,650	6.00%
Heritage Community Bank	$ 7,375	11.04%	$ 2,671	4.00%	$ 4,007	6.00%
Bank of Thomas County	$ 4,296	10.42%	$ 1,649	4.00%	$ 2,474	6.00%
Citizens Security Bank	$ 13,366	10.69%	$ 5,001	4.00%	$ 7,501	6.00%
Cairo Banking Company	$ 6,577	12.58%	$ 2,090	4.00%	$ 3,136	6.00%
Southland Bank	$ 18,019	12.87%	$ 5,599	4.00%	$ 8,399	6.00%
Central Bank and Trust	$ 5,169	11.79%	$ 1,754	4.00%	$ 2,631	6.00%
First National Bank of South Georgia	$ 6,015	9.96%	$ 2,416	4.00%	$ 3,625	6.00%
Merchants and Farmers Bank	$ 7,543	13.14%	$ 2,295	4.00%	$ 3,443	6.00%
Tri-County Bank	$ 6,104	15.01%	$ 1,627	4.00%	$ 2,440	6.00%
First Bank of Brunswick	$ 12,861	10.90%	$ 4,722	4.00%	$ 7,083	6.00%
Tier I Capital to Average Assets:						
Consolidated	$ 109,733	9.49%	$ 46,252	4.00%	– N/A –	– N/A –
American Banking Company	$ 15,776	9.02%	$ 6,996	4.00%	$ 8,745	5.00%
Heritage Community Bank	$ 7,375	9.21%	$ 3,203	4.00%	$ 4,004	5.00%
Bank of Thomas County	$ 4,296	8.37%	$ 2,053	4.00%	$ 2,566	5.00%
Citizens Security Bank	$ 13,366	8.01%	$ 6,675	4.00%	$ 8,343	5.00%
Cairo Banking Company	$ 6,577	8.09%	$ 3,252	4.00%	$ 4,065	5.00%
Southland Bank	$ 18,019	6.83%	$ 10,553	4.00%	$ 13,191	5.00%
Central Bank and Trust	$ 5,169	8.44%	$ 2,450	4.00%	$ 3,062	5.00%
First National Bank of South Georgia	$ 6,015	8.04%	$ 2,993	4.00%	$ 3,741	5.00%
Merchants and Farmers Bank	$ 7,543	8.11%	$ 3,720	4.00%	$ 4,650	5.00%
Tri-County Bank	$ 6,104	9.19%	$ 2,657	4.00%	$ 3,321	5.00%
First Bank of Brunswick	$ 12,861	9.29%	$ 5,538	4.00%	$ 6,922	5.00%

NOTE 17. REGULATORY MATTERS (Continued)

As of December 31, 2001	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
Total Capital to Risk Weighted Assets:						
Consolidated	$ 122,372	15.02%	$ 65,266	8.00%	– N/A –	– N/A –
American Banking Company	$ 14,311	11.19%	$ 10,228	8.00%	$ 12,785	10.00%
Heritage Community Bank	$ 6,496	12.28%	$ 4,230	8.00%	$ 5,288	10.00%
Bank of Thomas County	$ 3,937	10.99%	$ 2,865	8.00%	$ 3,582	10.00%
Citizens Security Bank	$ 13,269	11.94%	$ 8,888	8.00%	$ 11,110	10.00%
Cairo Banking Company	$ 7,247	14.80%	$ 3,917	8.00%	$ 4,897	10.00%
Southland Bank	$ 19,199	13.33%	$ 11,522	8.00%	$ 14,403	10.00%
Central Bank and Trust	$ 5,806	12.02%	$ 3,865	8.00%	$ 4,831	10.00%
First National Bank of South Georgia	$ 6,659	10.97%	$ 4,858	8.00%	$ 6,072	10.00%
Merchants and Farmers Bank	$ 6,782	11.32%	$ 4,794	8.00%	$ 5,992	10.00%
Tri-County Bank	$ 5,599	15.52%	$ 2,886	8.00%	$ 3,607	10.00%
First Bank of Brunswick	$ 12,307	12.01%	$ 8,196	8.00%	$ 10,245	10.00%
Tier I Capital to Risk Weighted Assets:						
Consolidated	$ 103,506	12.70%	$ 32,633	4.00%	– N/A –	– N/A –
American Banking Company	$ 12,710	9.94%	$ 5,114	4.00%	$ 7,671	6.00%
Heritage Community Bank	$ 5,834	11.03%	$ 2,115	4.00%	$ 3,173	6.00%
Bank of Thomas County	$ 3,487	9.74%	$ 1,433	4.00%	$ 2,149	6.00%
Citizens Security Bank	$ 11,876	10.69%	$ 4,444	4.00%	$ 6,666	6.00%
Cairo Banking Company	$ 6,627	13.53%	$ 1,959	4.00%	$ 2,938	6.00%
Southland Bank	$ 17,393	12.08%	$ 5,761	4.00%	$ 8,642	6.00%
Central Bank and Trust	$ 5,200	10.76%	$ 1,933	4.00%	$ 2,899	6.00%
First National Bank of South Georgia	$ 5,899	9.71%	$ 2,429	4.00%	$ 3,643	6.00%
Merchants and Farmers Bank	$ 6,017	10.04%	$ 2,397	4.00%	$ 3,595	6.00%
Tri-County Bank	$ 5,148	14.27%	$ 1,443	4.00%	$ 2,164	6.00%
First Bank of Brunswick	$ 11,010	10.75%	$ 4,098	4.00%	$ 6,147	6.00%
Tier I Capital to Average Assets:						
Consolidated	$ 103,506	9.26%	$ 43,874	4.00%	– N/A –	– N/A –
American Banking Company	$ 12,710	7.18%	$ 7,067	4.00%	$ 8,834	5.00%
Heritage Community Bank	$ 5,834	8.48%	$ 2,753	4.00%	$ 3,442	5.00%
Bank of Thomas County	$ 3,487	7.53%	$ 1,852	4.00%	$ 2,314	5.00%
Citizens Security Bank	$ 11,876	8.03%	$ 5,989	4.00%	$ 7,486	5.00%
Cairo Banking Company	$ 6,627	8.44%	$ 3,129	4.00%	$ 3,912	5.00%
Southland Bank	$ 17,393	6.99%	$ 10,081	4.00%	$ 12,602	5.00%
Central Bank and Trust	$ 5,200	8.66%	$ 2,400	4.00%	$ 2,999	5.00%
First National Bank of South Georgia	$ 5,899	7.88%	$ 2,991	4.00%	$ 3,738	5.00%
Merchants and Farmers Bank	$ 6,017	11.09%	$ 2,344	4.00%	$ 2,931	5.00%
Tri-County Bank	$ 5,148	8.42%	$ 2,557	4.00%	$ 3,196	5.00%
First Bank of Brunswick	$ 11,010	7.56%	$ 6,300	4.00%	$ 7,875	5.00%

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 approximate fair values.

Securities: Fair values for securities are based on available quoted market prices. The carrying values of equity securities and restricted stock 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 Funds 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 repurchase agreements 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.

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, 2002		December 31, 2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in Thousands)			
Financial assets:				
Cash and short-term investments	**$ 123,077**	**$ 123,077**	$ 157,475	$ 157,475
Federal funds sold	**$ -**	**$ -**	$ 44	$ 44
Investments in securities	**$ 178,303**	**$ 178,303**	$ 152,134	$ 152,134
Restricted stock	**$ 5,778**	**$ 5,778**	$ 4,701	$ 4,701
Loans	**$ 833,447**	**$ 837,057**	$ 805,076	$ 819,616
Allowance for loan losses	**14,868**	**-**	14,944	-
Loans, net	**$ 818,579**	**$ 837,057**	$ 790,132	$ 819,616
Accrued interest receivable	**$ 9,647**	**$ 9,647**	$ 10,767	$ 10,767
Financial liabilities:				
Deposits	**$ 916,185**	**$ 919,406**	$ 931,156	$ 935,729
Federal funds purchased and securities sold under agreements to repurchase	**$ 8,204**	**$ 8,204**	$ 3,792	$ 3,792
Other borrowings	**$ 117,290**	**$ 117,094**	$ 95,293	$ 94,067
Accrued interest payable	**$ 2,395**	**$ 2,395**	$ 3,611	$ 3,611
Trust preferred securities	**$ 34,500**	**$ 37,088**	$ 34,500	$ 37,088

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

CONDENSED BALANCE SHEETS
DECEMBER 31, 2002 AND 2001
(Dollars in Thousands)

	2002	2001
Assets		
Cash	**$ 3,535**	$ 22,187
Interest bearing deposits in banks	**14,933**	3,557
Investment in subsidiaries	**128,286**	116,993
Other assets	**6,232**	8,026
Total assets	**$ 152,986**	$ 150,763
Liabilities		
Other borrowings	**$ 8,144**	$ 9,607
Other liabilities	**2,858**	2,508
Trust preferred securities	**34,500**	34,500
Total liabilities	**45,502**	46,615
Stockholders' equity	**107,484**	104,148
Total liabilities and stockholders' equity	**$ 152,986**	$ 150,763

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

CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(Dollars in Thousands)

	2002	2001	2000
Income			
Dividends from subsidiaries	**$ 4,220**	$ 7,386	$ 7,645
Interest	**334**	212	52
Fee income	**9,865**	9,252	8,424
Other income	**1,416**	1,002	645
Total income	**15,835**	17,852	16,766
Expense			
Interest	**3,650**	955	174
Amortization and depreciation	**1,129**	1,599	935
Other expense	**12,239**	10,072	9,716
Total expense	**17,018**	12,626	10,825
Income (loss) before income tax benefits and equity in undistributed earnings	**(1,183)**	5,226	5,941
Income tax benefits	**1,860**	590	621
Income before equity in undistributed earnings	**677**	5,816	6,562
Equity in undistributed earnings of subsidiaries	**9,678**	3,817	3,536
Net income	**$ 10,355**	$ 9,633	$ 10,098

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

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(Dollars in Thousands)

	2002	2001	2000
OPERATING ACTIVITIES			
Net income	**$ 10,355**	$ 9,633	$ 10,098
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**685**	698	636
Amortization of intangible assets	**-**	299	299
Amortization of compensation expense	**444**	602	387
Undistributed earnings of subsidiaries	**(9,678)**	(3,817)	(3,536)
(Increase) decrease in interest receivable	**(9)**	(2)	2
Increase (decrease) in interest payable	**(58)**	58	-
Increase (decrease) in taxes payable	**4**	(552)	91
Provision for deferred taxes	**(27)**	(284)	(203)
(Increase) decrease in due from subsidiaries	**301**	(61)	(117)
Other operating activities	**624**	(729)	302
Total adjustments	**(7,714)**	(3,788)	(2,139)
Net cash provided by operating activities	**2,641**	5,845	7,959
INVESTING ACTIVITIES			
(Increase) decrease in interest-bearing deposits in banks	**(11,376)**	(3,557)	1,200
Purchases of premises and equipment	**(369)**	(111)	(1,521)
Contribution of capital to subsidiary bank	**-**	(8,500)	(400)
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	**(11,745)**	(23,427)	258
FINANCING ACTIVITIES			
Repayment of other borrowings	**(1,463)**	(7,131)	(500)
Purchase of treasury shares	**(3,469)**	-	(4,162)
Dividends paid	**(4,749)**	(4,262)	(3,745)
Proceeds from other borrowings	**-**	14,738	-
Proceeds from issuance of trust preferred	**-**	34,500	-
Proceeds from exercise of stock options	**133**	12	-
Net cash provided by (used in) financing activities	**(9,548)**	37,857	(8,407)
Net increase (decrease) in cash	**(18,652)**	20,275	(190)
Cash at beginning of year	**22,187**	1,912	2,102
Cash at end of year	**$ 3,535**	$ 22,187	$ 1,912
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	**$ 3,388**	$ 853	$ 174

ABC BANCORP EXECUTIVE OFFICERS, DIRECTORS AND SENIOR MANAGEMENT

Executive Officers

Chairman of the Board, President
& Chief Executive Officer
Kenneth J. Hunnicutt

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

Executive Vice President,
Director of Human Resources
& Corporate Secretary
Cindi H. Lewis

Executive Vice President
Southern Region Executive
Jon S. Edwards

Executive Vice President
Northern Region Executive
Edwin W. Hortman, Jr.

Directors

Kenneth J. Hunnicutt, Chairman
Occupation: Banker
Main Employer: ABC Bancorp

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

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

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

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

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

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

J. Thomas Whelchel
Occupation: Attorney
Main Employer: Whelchel, Brown, Readdick & Bumgartner

Henry C. Wortman
Occupation: Dairyman
Main Employer: Jackson & Wortman

ABC Bancorp Senior Management

Chairman of the Board, President & Chief Executive Officer
Kenneth J. Hunnicutt

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

Executive Vice President, Director of Human Resources & Corporate Secretary
Cindi H. Lewis

Executive Vice President, Southern Region Bank Executive & Director of Credit Administration
Jon S. Edwards

Executive Vice President, Northern Region Bank Executive & President and CEO of Citizens Security Bank
Edwin W. Hortman, Jr.

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

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

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

PRESIDENTS AND DIRECTORS SUBSIDIARY BANKS

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Moultrie, GA

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Ronnie F. Marchant

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Robert M. Brown, MD
Jack C. Chastain
C. Wayne Cooper
Jon S. Edwards
Thomas L. Estes, MD
Robert A. Faircloth
Plenn Hunnicutt
Daniel B. Jeter
Ronnie F. Marchant
J. Mark Mobley, Jr.
Thomas W. Rowell
Brooks Sheldon

President Emeritus
Eugene M. Vereen, Jr.

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Thomasville, GA

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Ervin E. Brock

Directors
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Dale E. Aldridge
S. Mark Brewer, MD
Ervin E. Brock
Jon S. Edwards
Gene Hickey
Zeke Johnson
Dr. Terrel M. Solana
F. Keith Wortman

CAIRO BANKING COMPANY
Cairo, GA

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Edgar B. Smith, III

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Nancy C. Clark
Jon S. Edwards
Ronnie L. Gainous
Cuy Harrell, III
Winburn Knight
William J. Morton, MD
G. Ashley Register, MD
Edgar B. Smith, III

CENTRAL BANK & TRUST
Cordele, GA

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Directors
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Robert E. Barr, MD
Charles W. Clark
Robert L. Evans
William T. Greene
W.H. Griffin, III
Edwin W. Hortman, Jr.
David N. Rainwater

Director Emeritus
Henry M. Turton, Jr.

CITIZENS SECURITY BANK
Tifton, GA

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City President
Lawton E. Bassett, III

Directors
J. Raymond Fulp, Chairman
Lawton E. Bassett, III
Austin L. Coarsey
Robert R. Fender
Stewart D. Gilbert, MD
Edwin W. Hortman, Jr.
John Alan Lindsey
Loran A. Pate
Clifford A. Walker, Sr., DMD

CITIZENS SECURITY BANK
Douglas, GA

City President
David B. Batchelor

City Directors
Robert R. Fender, Chairman
David B. Batchelor
Earl Brice
J. Anthony Deal
Sherman Dudley
William (Bill) H. Elliott
Fay Hennesy
Edwin W. Hortman, Jr.
E. Carlyle Ragans
Donnie H. Smith
Ronnie Spivey
Oscar Street

PRESIDENTS AND DIRECTORS SUBSIDIARY BANKS

CITIZENS SECURITY BANK
Ocilla, GA

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C. Larry Young

City Directors
Loran A. Pate, Chairman
Edwin W. Hortman, Jr.
Howard C. McMahan, MD
Daniel M. Paulk
Gary H. Paulk
C. Larry Young

Director Emeritus
Wycliffe Griffin

FIRST NATIONAL BANK OF SOUTH GEORGIA
Albany, GA

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Directors
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Waddell M. Hagins, Jr.
Edwin W. Hortman, Jr.
Russell E. Martin
Reid E. Mills
W. Thomas Mitcham, MD
Don Monk
R. Douglas Oliver
W. Paul Wallace, Jr.

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William P. Cooper, Jr.
Jon S. Edwards
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Sue D. Mink
Charles E. Smith
Henry C. Wortman
Thomas Eddie York

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Donalsonville, GA

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Lewis M. Carter, Jr.
Joseph S. Hall
Rufus G. Heard
Edwin W. Hortman, Jr.
Newton E. King, Jr.
C. Willard Mims
John C. Mosely
Dan E. Ponder, Jr.

Directors Emeritus
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H. Wayne Carr
John B. Clarke, Sr.
Newton E. King, Sr.

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Dothan, AL

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Directors
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Robert Crowder
Gerald B. Crowley
Ronald E. Dean
John D. DeLoach
Edwin W. Hortman, Jr.
Harris O. Pittman, III

THE FIRST BANK OF BRUNSWICK
Brunswick, GA

President & Chief Executive Officer
Michael D. Hodges

Directors
J. Thomas Whelchel, Chairman
C. Ray Acosta
Jon S. Edwards
James M. Fiveash
L. McRee (Mac) Harden
Michael D. Hodges
Jimmy D. Veal

TRI-COUNTY BANK
Trenton, FL

President & Chief Executive Officer
John H. Ferguson

Directors
Wilbur Bush, Chairman
Jon S. Edwards
John H. Ferguson
Donna Graham
Michael Hayes
Norman Scoggins

MARKET FOR THE COMPANY'S

COMMON STOCK AND DIVIDEND INFORMATION

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

The following table sets forth the low and high sales prices for the common stock as quoted on the NASDAQ during 2002.

Calendar Period	**Sales Price**	
2002	**Low**	**High**
First Quarter	$ 12.92	$ 14.70
Second Quarter	$ 13.10	$ 16.50
Third Quarter	$ 11.05	$ 15.24
Fourth Quarter	$ 12.50	$ 14.14

Quarterly dividends of $0.12 per share were declared for the first, second, third and fourth quarters of 2002.

AVAILABILTY OF INFORMATION

Upon written request, ABC Bancorp will provide, without charge, a copy of the Annual Report on Form 10-K, including the financial statements and the financial statement schedules, required to be filed with the Securities and Exchange Commission for fiscal year 2002.

Please direct requests to:

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

ANNUAL MEETING OF SHAREHOLDERS

The 2003 Annual Meeting of Shareholders of ABC Bancorp will be held at 4:15 p.m. EST, Tuesday, May 20, 2003 at the ABC Bancorp Corporate Office located at 24 Second Avenue S.E., Moultrie, Georgia.

ABC BANCORP

24 Second Avenue S.E. • Moultrie, Georgia 31768
(229) 890-1111 • www.abcbancorp.com

PROUD MEMBERS OF THE ABC BANCORP TEAM

American Banking Company
www.americanbankingcompany.com

Bank of Thomas County
www.bankofthomascounty.com

Cairo Banking Company
www.cairobankingcompany.com

Central Bank & Trust
www.centralbankandtrust.com

Citizens Security Bank
www.citizenssecuritybank.com

First National Bank of South Georgia
www.first-nationalbank.com

Heritage Community Bank
www.heritage-communitybank.com

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Southland Bank
www.southland-bank.com

The First Bank of Brunswick
www.firstbankbrunswick.com

Tri-County Bank
www.tri-county-bank.com

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Working hard for you.