SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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ABC BANCORP
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-16181

ABC BANCORP
(Exact name of registrant as specified in its charter)

GEORGIA	58-1456434
(State of incorporation)	(IRS Employer ID No.)

24 SECOND AVE., SE MOULTRIE, GA 31768
(Address of principal executive offices)

(229) 890-1111
(Registrant's telephone number)

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

There were 9,878,679 shares of Common Stock outstanding as of March 31, 2002.

ABC BANCORP
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2002

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ABC BANCORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

<TABLE>
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	Mar 31 2002	Dec 31 2001
<S>	<C>	<C>
Assets		
Cash and due from banks	$ 103,190	$ 157,475
Securities available for sale, at fair value	167,643	156,835
Federal funds sold	36	44
Loans	807,179	805,076
Less allowance for loan losses	14,468	14,944
Loans, net	792,711	790,132
Premises and equipment, net	27,111	26,821
Intangible assets	5,665	6,074
Goodwill	19,240	19,240
Other assets	22,778	20,265
	$1,138,374	$1,176,886
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing demand	120,362	125,522
Interest-bearing demand	240,608	254,301
Savings	63,181	62,536
Time, $100,000 and over	150,746	156,562
Other time	318,798	332,235
Total deposits	893,695	931,156
Federal funds purchased & securities sold under agreements to repurchase	4,921	3,792
Other borrowings	93,989	95,293
Other liabilities	8,539	7,997
Trust preferred securities	34,500	34,500
Total liabilities	1,035,644	1,072,738

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Stockholders' equity		
Common stock, par value $1; 30,000,000 shares authorized; 10,790,369 shares issued	10,790	10,790
Capital surplus	45,616	45,616
Retained earnings	54,570	53,584
Accumulated other comprehensive income	115	1,034
Unearned compensation	(540)	(656)
	110,551	110,368
Less cost of shares acquired for the treasury, 911,690 and 790,982 shares	(7,821)	(6,220)
Total stockholders' equity	102,730	104,148
	$1,138,374	$1,176,886

See Notes to Consolidated Financial Statements.
</TABLE>

ABC BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2002 AND 2001
(Dollars in Thousands)
(Unaudited)

<TABLE>
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<S>	2002 <C>	2001 <C>
Interest income		
Interest and fees on loans	$ 16,464	$ 15,184
Interest on taxable securities	2,161	2,226
Interest on nontaxable securities	53	231
Interest on deposits in other banks	345	155
Interest on fed funds sold	12	
	19,035	17,796
Interest expense		
Interest on deposits	5,877	7,341
Interest on fed funds purchased and securities sold under agreements to repurchase	44	54
Interest on other borrowings	1,706	850
	7,627	8,245
Net interest income	11,408	9,551
Provision for loan losses	959	493
Net interest income after provision for loan losses	10,449	9,058
Other income		
Service charges on deposit accounts	2,241	1,577
Other service charges, commissions and fees	872	569
Other	107	30
Gain (Loss) on sale of securities	26	(1)
	3,246	2,175
Other expense		
Salaries and employee benefits	5,831	4,423
Equipment and occupancy expense	1,205	1,120
Other operating expenses	3,430	2,301

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	10,466	7,844
Income before income taxes	3,229	3,389
Applicable income taxes	1,057	1,091
Net income	$ 2,172	$ 2,298
Other comprehensive income, net of tax:		
Unrealized holding gains (losses) arising during period, net of tax	$ (919)	$ 1,425
Comprehensive income	$ 1,253	$ 3,723
Income per common share-Basic	$ 0.22	$ 0.27
Income per common share-Diluted	$ 0.22	$ 0.27
Average shares outstanding	9,814,710	8,398,150

</TABLE>

See Notes to Consolidated Financial Statements.

ABC BANCORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2002 AND 2001
(Dollars in Thousands)
(Unaudited)

<TABLE>
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<S>	2002 <C>	2001 <C>
OPERATING ACTIVITIES		
Net Income	$ 2,172	$ 2,298
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	596	597
Provision for loan losses	959	493
Amortization of intangible assets	409	201
Other prepaids, deferrals and accruals, net	(1,450)	(190)
Total adjustments	514	1,101
Net cash provided by operating activities	2,686	3,399
INVESTING ACTIVITIES		
Proceeds from maturities of investment securities	26,320	26,157
Purchase of investment securities	(39,468)	(11,757)
Proceeds from sales of securities available for sale	1,015	40
Decrease in Federal funds sold	8	-
Increase in loans	(3,538)	(18,942)
Purchase of premises and equipment	(886)	(355)
Net cash used in investing activities	(16,549)	(4,857)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(37,461)	8,597
Net increase in federal funds purchased and securities sold under agreements to repurchase	1,129	1,284

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Decrease in other borrowings	(1,304)	(9,886)
Dividends paid	(1,185)	(1,009)
Purchase treasury stock	(1,601)	-
Net cash used in financing activities	(40,422)	(1,014)
Net decrease in cash and due from banks	$(54,285)	$ (2,472)
Cash and due from banks at beginning of period	157,475	43,363
Cash and due from banks at end of period	$103,190	$ 40,891

</TABLE>

See Notes to Consolidated Financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of ABC Bancorp and subsidiaries ("the Company") conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The interim consolidated financial statements included herein are unaudited, but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented. All adjustments reflected in the interim financial statements are of a normal, recurring nature. Such financial statements should be read in conjunction with the financial statements and notes thereto and the report of independent auditors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. The results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results to be expected for the full year.

NOTE 2. RECENTLY ADOPTED ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board issued two new accounting standards: Statement of Financial Standards ("SFAS") No 141, "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No 141, which was effective immediately, requires that all business combinations consummated after June 30, 2001 be accounted for by the purchase method unless the combination was initiated on or prior to that date and it meets the conditions to be accounted for by the pooling-of-interests method in accordance with AFB Opinion No. 16, "Business Combinations." Under SFAS No. 142, goodwill and intangible assets that management concludes has indefinite useful lives will no longer be amortized, but will be subject to impairment tests performed at least annually. The Company was required to adopt SFAS No. 142 on January 1, 2002. Before June 30, 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets. Pending completion of this test the Company has not yet determined what effect those tests will have on earnings and financial position of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 Bancorp and its subsidiaries (the "Company") to meet those needs. The Company strives to maintain an adequate liquidity position by

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managing the balances and maturities of interest-earning assets and interest-bearing liabilities so that the balance it has in short-term investments at any given time will adequately cover any reasonably anticipated immediate need for funds. Additionally, the subsidiary Banks (the "Banks") maintain relationships with correspondent banks which could provide funds to them on short notice, if needed.

The liquidity and capital resources of the Company are monitored continuously by the Company's Board-authorized Asset and Liability Management Committee, and on a periodic basis by state and federal regulatory authorities. As determined under guidelines established by these regulatory authorities, the Company's and the Banks' liquidity ratios at March 31, 2002 were considered satisfactory. At that date, the Banks' short-term investments were adequate to cover any reasonably anticipated immediate need for funds. The Company is aware of no events or trends likely to result in a material change in liquidity. During the three months ended March 31, 2002, total capital decreased $1,418,000 to $102,730,000. Of this change, $986,000 resulted from the retention of earnings (net of $1,185,000 dividends paid to shareholders), plus $116,000 for the accrual for grants of restricted shares as incentive to certain employees, less $919,000 in other comprehensive income, net of taxes, less $1,601,000 for the purchase of Treasury Stock.

At March 31, 2002, ABC had binding commitments for capital expenditures of approximately $250,000. The Company anticipates that approximately $1,500,0000 will be required for capital expenditures during the remainder of 2002. Additional expenditures may be required for other mergers and acquisitions.

Results of Operations

The Company's results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since interest rates are determined by market forces and economic conditions beyond the control of the Company, the ability to generate net interest income is dependent upon the Banks' ability 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 and borrowings, such as Federal funds purchased, securities sold under repurchase agreements and Federal Home Loan Bank advances. A portion of interest income is earned on tax-exempt investments, such as state and municipal bonds, and on loans to states and municipalities. This tax-exempt income and its resultant yields are stated on a taxable-equivalent basis in order to be comparable to taxable investments and loans.

Comparison of Statements of Income

The net interest margin on a taxable-equivalent basis was 4.38% and 5.10% during the three months ended March 31, 2002 and 2001, respectively, a decrease of 72 basis points. These variances are attributable to fluctuations in the average rates charged and fees earned on loans and the average rates paid on deposit accounts. Several decreases in key interest rates by the Federal Reserve Bank also attributed to the decrease in net interest margin, because the rate of yield on certain variable-rate assets decreased immediately, whereas most interest-bearing liabilities are fixed-rate, and thus rates could not be decreased until maturity.

Net interest income was $11.4 million as compared to $9.6 million during the three months ended March 31, 2002 and 2001, respectively,

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representing an increase of 18.75%. This increase of $1.8 million was attributable to the acquisition of Tri-County Bank and Golden Isles which contributed $1.8 million of net interest income for the period ended March 31, 2002.

The provision for loan losses is a charge to earnings in the current period to replenish the allowance for loan losses and maintain it at the level management determines is adequate. The provision for loan losses charged to earnings amounted to $959,000 and $493,000 during the three months ended March 31, 2002 and 2001. Of the $466,000 increase in 2002, $165,000 is attributable to replenishing the reserve for a loan charged off during the first quarter. Most of the remaining increase is attributable to substantial loan growth on four subsidiary banks.

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 quarterly based on a review of all significant loans, with a particular emphasis on non-accruing, past due and other loans that management believes require attention. Another factor used in determining the adequacy of the reserve is management's judgment about factors affecting loan quality and assumptions about the local and national economy.

The allowance for loan losses totaled $14.5 million and $14.9 million as of March 31, 2002 and December 31, 2001, respectively. The allowance for loan losses as a percentage of total loans was 1.80% and 1.85% as of March 31, 2002 and December 31, 2001, respectively.

Non-performing assets were $12.6 million and $13.2 as of March 31, 2002 and December 31, 2001, respectively. The ratio of non-performing assets as a percentage of the loan loss reserve was 86.9% and 88.6% as of March 31, 2002 and December 31, 2001, respectively.

Management considers the allowance for loan losses as of March 31, 2002 adequate to cover potential losses in the loan portfolio.

Following is a comparison of noninterest income for the three months ended March 31, 2002 and 2001 (dollars in thousands).

	Three Months Ended March	
	2002	2001
Service charges on deposits	$2,241	$1,577
Other service charges, commissions and fees	872	569
Other income	107	30
Gain (Loss) on sale of securities	26	-1
Total noninterest income	$3,246	$2,175

Total noninterest income for the three months ended March 31, 2002 was $1,071,000 higher than during the same period in 2001. Service charges on deposit accounts accounted for the majority of the increase at $664,000 of which $134,000 related to the acquisition of Tri-County Bank, and $161,000 related to the acquisition of Golden Isles. Service charges on deposits increased $664,000. Banks acquired after the first quarter of 2001 accounted for $295,000 of this increase. Additionally insufficient fund charges on checking deposit accounts in all other subsidiary banks increased $338,000 during the first quarter of 2002 compared to the same quarter last year. This increase is mostly attributable to an increase in the per item charge for overdrafts. Other service charges, commissions and fees increased because of enhanced income from the Company's retail division, particularly mortgage financing. Of the $303,000 increase, 70% or $212,000 was attributable to mortgage financing.

Following is an analysis of noninterest expense for the three months ended March 31, 2002 and 2001 (dollars in thousands).

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	Three Months Ended March	
	2002	2001
Salaries and employee benefits	$ 5,831	$4,423
Occupancy and equipment expense	1,205	1,120
Other expense	3,430	2,301
Total noninterest expense	$10,466	$7,844

Total noninterest expense for the three months ended March 31, 2002 was $2,622,000 higher than during the same period in 2001.

Salaries and employee benefits for the three months ended March 31, 2002 were $1,408,000 or 31.83% higher than during the same period in 2001. The acquisition of Tri-County Bank accounted for $216,000, the acquisition of Golden Isles accounted for $658,000 of the increase and the remaining $534,000 related to normal increases in salaries and employee benefits. Of the $1.1 million increase in other expense $298,000 is attributable to an increase in amortization expense as a result of acquisitions

made during the last three quarters of 2001, $331,000 is attributable to other expenses of the acquired banks, and $102,000 is attributable to systems conversion expenses of the acquired banks.

Following is a condensed summary of net income during the three months ended March 31, 2002 and 2001 (dollars in thousands).

	Three Months Ended March 31,	
	2002	2001
Net interest income	$11,408	$9,551
Provision for loan losses	959	493
Other income	3,246	2,175
Other expense	10,466	7,844
Income before income taxes	3,229	3,389
Applicable income taxes	1,057	1,091
Net income	$ 2,172	$2,298

Net income decreased $126,000 or 5.48% to $2,172,000 for the three months ended March 31, 2002 as compared to $2,298,000 for the three months ended March 31, 2001. Net interest income of ABC and its subsidiaries increased $1,857,000, the provision for loan losses increased by $466,000 and all other noninterest expense increased by $2,622,000.

Comparison of Balance Sheets

Total assets decreased by $39 million, or 3.31% to $1,138 million at March 31, 2002 from $1,177 million at December 31, 2001.

Total earning assets decreased by $23 million, or 2.15%, to $1,045 million at March 31, 2002 from $1,068 million at December 31, 2001.

Loans, net of the allowance for loan losses, increased by $3 million, or .38% to $793 million at March 31, 2002 from $790 million at December 31, 2001.

Total deposits decreased by $37 million, or 3.97% to $894 million at March 31, 2002 from $931 million at December 31, 2001. Approximately 13.42% and 13.53% of deposits were noninterest-bearing as of March 31, 2002 and December

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31, 2001, respectively.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest rates play a major part in the net interest income of a financial institution. The sensitivity to rate changes is known as "interest rate risk." The repricing of interest earning assets and interest-bearing liabilities can influence the changes in net interest income. As part of the Company's asset/liability management program, the timing of repriced assets and liabilities is referred to as Gap management. It is the policy of the Company to maintain a Gap ratio in the one-year time horizon of .80 to 1.20.

The Company uses simulation analysis to monitor changes in net interest income due to changes in market interest rates. The simulation of rising, declining and flat interest rate scenarios allows management to monitor and adjust interest rate sensitivity to minimize the impact of market interest rate swings. The analysis of the impact on net interest income over a twelve month period is subjected to a gradual 200 basis point increase or decrease in market rates on net interest income and is monitored on a quarterly basis. The most recent simulation model projects net interest income would increase 9.15% if rates rise gradually over the next year. On the other hand, the model projects net interest income to decrease 10.90% if rates decline over the next year.

Part II. Other Information

Item 4. Submission of Matters to a Vote of Securities Holders

There were no matters submitted to a vote of securities holders during the quarter ended March 31, 2002.

Item 6. Exhibits and Reports on Form 8-K

There were no exhibits and reports filed on Form 8-K during the quarter ended March 31, 2002.

SIGNATURE

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

ABC BANCORP

May 9, 2002	/s/ W. Edwin Lane, Jr.
Date	W. EDWIN LANE, JR. EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER (Duly authorized officer and principal financial/accounting officer)

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