FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. 0000950168-99-000891

(HTML Version on secdatabase.com)

FILER

COMMUNITYCORP

CIK:**1020347**| IRS No.: **571019001** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **000-27386** | Film No.: **99574699**
SIC: **6021** National commercial banks

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<CAPTION>

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR FISCAL YEAR ENDED DECEMBER 31, 1998

COMMISSION FILE NUMBER 33-76644

COMMUNITYCORP

(Exact name of Registrant as specified in its charter)

<S>	<C>
SOUTH CAROLINA	57-1019001
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1100 N. JEFFERIES BLVD. WALTERBORO, SOUTH CAROLINA	29488
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE 843/549-2265

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT - NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, PAR VALUE $5 PER SHARE

(Title of class)

</TABLE>

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 periods that the Registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes X No

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

The aggregate market value (computed on the basis of the most recent trades of which the Registrant was aware) of shares of the Common Stock ($5 par value per share) held by non-affiliates of the registrant as of March 8, 1999 was $5,157,297. The market value calculation assumes that all shares beneficially owned by members of the Board of Directors of the Registrant are shown owned by "affiliates", a status which each of the directors individually disclaims.

The number of shares outstanding of the issuer's classes of common stock as of March 8, 1999 - 300,000 shares of Common Stock, $5 Par Value.

DOCUMENTS INCORPORATED BY REFERENCE

No documents have been incorporated by reference.

PART I

ITEM 1. BUSINESS

GENERAL. Communitycorp (the "Company or "Registrant") is a South Carolina corporation organized for the purpose of becoming a bank holding company for the Bank of Walterboro (the "Bank"), under the Bank Holding Company Act. The Company was incorporated on March 13, 1995. Effective September 11, 1995 the Registrant acquired, in exchange for its own shares of common stock, all of the outstanding common stock of the Bank.

SUBSIDIARY. Bank of Walterboro is a state-chartered commercial bank operating from two offices located at 1100 North Jefferies Boulevard, Walterboro, South Carolina and at 6225 Savannah Highway, Ravenel, South Carolina. The Bank's primary market area is Northern Charleston and Colleton Counties in South Carolina. Depository accounts are insured by the Federal Deposit Insurance Corporation up to the maximum amount permitted by law. The Bank received its charter on October 11, 1988, and opened for business on May 1, 1989.

The Bank offers a full range of deposit services for individuals and businesses. Deposit products include checking accounts, savings accounts, certificate of deposit, money market accounts and IRA's.

The Bank offers short to intermediate term commercial and consumer loans for a variety of purposes on both a secured and unsecured basis. The primary commercial market for these loans is small to medium sized businesses located in the Colleton County area. Commercial loans may be made to companies to acquire fixed assets, for general operating purposes, or to finance inventory or accounts receivables, as well as for other purposes. Consumer loans are made to finance the purchase of real estate, automobiles, mobile homes, boats, other recreational items, or for home improvements, education or personal investments.

The Bank has not obtained a material portion of its deposits from any single person or few persons nor is a material portion of the Bank's loans concentrated within a single industry or group of related industries. Management has no reason to believe that the loss of any depositor or a few of the larger depositors would have a materially adverse effect upon the operations of the Bank or erode its deposit base.

EMPLOYEES. As of March 9, 1998, the Company and the Bank had 23 full-time and 2 part-time employees. Neither the Company nor the Bank is a party to a collective bargaining agreement, and they consider their relations with employees to be good.

COMPETITION AND MARKET AREA. The Company and the Bank conduct business in terms substantially the same as a typical commercial bank offering a full range of banking services, with the exception of trust services. The Company's capitalization allows the Company to compete effectively in it's market. Correspondent banks are used to meet customer credit needs that exceed the Bank's lending limits.

The Bank competes in a very competitive market for deposits and loans against four commercial banks, two savings and loans and one credit union. None of the bank's competitors are headquartered in Colleton County except for one savings and loan. The Bank prides itself in providing prompt, efficient, courteous service and subscribes to the theory that funds resulting from local depositors should be reinvested in the depositor's community.

The Bank strongly feels that decisions regarding credit and services of a bank can best be made at a local level and that stability and continuity of management within a bank without frequent transfers is important to the financial well-being of its customers.

SUPERVISION AND REGULATION. The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "Act"), and is registered with the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and the South Carolina State Board of Financial Institutions (the "State Board"). The Company is required to file semi-annual reports with the Federal Reserve Board and such additional information as that

Board may require pursuant to the Act, and to file annual reports with the State Board.

The Company also is subject to examination by the Federal Reserve Board and the State Board and is required to obtain Federal Reserve Board and State Board approval prior to acquiring, directly or indirectly, ownership or control of any voting shares of a bank if, after such acquisition, it would own or control, directly or indirectly, more than 5% of the voting stock of such bank, unless it already owns a majority of the voting stock of such bank. Furthermore, a bank holding company is, with limited exceptions, prohibited from acquiring direct or indirect ownership or control of any voting stock of any company which is not a bank or a bank holding company and must engage only in the business of banking or managing and controlling banks or furnishing services to or performing services for its subsidiary banks. One of the exceptions to this prohibition is the ownership of shares of a company, the activities of which the Federal Reserve Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

A bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with the extension of credit or provisions of any property or service. Thus, an affiliate of a bank holding company may not extend credit, lease or sell property, furnish any services or fix or vary the consideration for such on the condition that (I) the customer must obtain or provide some additional credit, property or services from or to its bank holding company or subsidiaries thereof, or (ii) the customer may not obtain some other credit, property or services from a competitor, except to the extent reasonable conditions are imposed to assure the soundness of the credit extended.

Stockholders of the Company's common stock are entitled to receive dividends as and when declared by the Company's Board of Directors out of funds legally available therefore under the laws of the State of South Carolina. The Company's ability to pay dividends is dependent on the amount of dividends paid by the Bank and any other subsidiary of the Company.

In August 1989, the Financial Institutions Reform Recovery and Enforcement Act of 1989 ("FIRREA") was enacted. FIRREA provides, among other things, for a phased-in increase in the rate on annual insurance assessments paid by a bank, including the Bank, whose deposits are insured by the new Bank Insurance Fund of the FDIC. FIRREA also imposes liability on an institution, the deposits of which are insured by the FDIC for certain potential obligations to the FDIC incurred in connection with assistance to other FDIC insured institutions under common control with such institutions.

In December 1991, a major banking bill entitled the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") was enacted. FDICIA substantially revised the bank regulatory and funding provisions of the Federal Deposit Insurance Act and makes other revisions to several other federal banking statutes. Among other things, FDICIA defined new regulatory standards in such areas as asset quality, earnings and competition and revised existing regulatory standards for powers of state banks, real estate lending, capital adequacy, and other items.

On September 29, 1994, the federal government enacted the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "1994 Act"). The provisions of the 1994 Act became effective on September 29, 1995, at which time eligible bank holding companies in any state were permitted, with Federal Reserve Board approval, to acquire banking organizations in any other state. As such, all existing regional compacts and substantially all existing regional limitations on interstate acquisitions of banking organizations have been eliminated.

The 1994 Act also removed substantially all of the existing prohibitions on interstate branching by banks. On and after June 1, 1997, a bank operating in any state may establish one or more branches within any other state without, as currently required, the establishment of a separate banking structure within the other state. Interstate branching is allowed earlier than the automatic phase-in date of June 1, 1997, as long as the legislatures of both states involved have adopted statutes expressly permitting such branching to take place at an earlier date.

On May 7, 1996, South Carolina adopted the South Carolina Act which became effective on July 1, 1996. The South Carolina Act permits the acquisition of

South Carolina banks and bank holding companies by, and mergers with, out-of-state banks and bank holding companies with the prior approval of the State Board. The South Carolina Act also permits South Carolina state banks, with prior approval of the State Board, to operate branches outside the State of South Carolina. Although the 1994 Act has the potential to increase the number of competitors in the marketplace of the Bank, the Company cannot predict the actual impact of such legislation on the competitive position of the Bank.

The Company cannot predict what other legislation might be enacted or what other regulations might be adopted, or if enacted or adopted, the affect thereof on the Company and/or the Bank.

SOURCES AND AVAILABILITY OF FUNDS. The resources essential to the business of the Company and its subsidiary, the Bank, consist primarily of funds derived from deposits. The Company's banking subsidiary uses these funds to make loans and to fund its investment portfolio. The availability of such funds is primarily dependent upon the economic policies of the government, the economy in general and the general credit market for loans.

MONETARY POLICY AND ECONOMIC CONTROLS. The earnings of the Company's subsidiary bank, and therefore, to a large extent the earnings of the Company, are affected by the policies of regulatory authorities, including the Federal Reserve System. An important function of the Federal Reserve System is to regulate the national supply of bank credit in order to combat recession and curb inflation. Among the instruments used to attain these objectives are open market operations in U.S. Government securities and changes in the reserve requirements applicable to member bank deposits. These instruments are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use also may affect interest rates charged on loans or paid for deposits.

DEPENDENCE UPON SINGLE CUSTOMER OR GROUP OF CUSTOMERS. Neither the Company nor the Bank is dependent upon a single customer or a group of a few customers.

ADVISORY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this PART I, Item 1 (Business) and in Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) that are not historical facts are forward-looking statements subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The Company cautions readers of this Annual Report on Form !0-K that such forward- looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. Although the Company's management believes that their expectations of future performance are based on reasonable assumptions within the bounds of their knowledge of their business and operations, there can be no assurance that actual results will not differ materially from their expectations.

ITEM 2. PROPERTIES

The Company owns a 5,400 square foot facility located at 1100 North Jefferies Boulevard, Walterboro, South Carolina, which is its corporate banking office. Construction on this facility was completed in 1989 at a total cost, including land, furniture and fixtures of $775,345. All corporate headquarters as well as normal banking services and operations are housed at this location. The facility has a second floor which would allow for expansion consisting of 2,700 square feet. The existing building was built to adequately serve the anticipated needs of the Bank for the foreseeable future.

The Company opened its second banking location at 6225 Savannah Highway, Ravenel, South Carolina. This 3,622 square foot facility opened for business on October 6, 1997 and provides traditional banking services. The total cost of this facility, including land, and furniture and fixtures was $930,344.

ITEM 3. LEGAL PROCEEDINGS

The nature of the Company's business and that of the Bank generates a certain amount of litigation involving matters arising in the ordinary course of business. In the opinion of management of the Company, none of the legal proceedings currently pending or threatened to which the Company or its subsidiary Bank is a party or of which any of their properties is subject, is reasonably likely to have any material adverse effect on the business or financial condition of the Company or the Bank.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders in the fourth quarter of 1998.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

As of December 31, 1998, there were 610 holders of the Company's Common Stock. Currently, there is no established trading market for the Company's Common Stock. Based on information known to management, its Common Stock has traded in the range of $ 24.00 to $ 30.00 per share.

Holders of the Company's Common Stock are entitled to such dividends as may be declared from time to time by the Board of Directors out of funds legally available thereof. The Company paid cash dividends of $.31 and $.28 per share during 1998 and 1997, respectively. Any cash dividends paid by the Bank are paid to the Company as the sole shareholder of the Bank.

No representations can be made as to if or when the Company will pay cash dividends in the future. Future dividend policy of the Company is subject to the discretion of the Board of Directors and will depend upon a number of factors, including future earnings, financial condition, cash need, and general business conditions. The Company's ability to pay dividends will depend entirely upon the Bank's abilities to distribute dividends to the Company. As a state bank, the Bank is subject to legal limitations on the amount of dividends it is permitted to pay. In particular, the Bank must receive the approval of the South Carolina Commissioner of Banking prior to paying dividends to the Company. Furthermore, neither the Bank nor the Company may declare or pay a cash dividend on any of their capital stock if they are insolvent or if the payment of the dividend would render them insolvent or unable to pay their obligations as they become due in the ordinary course of business.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected financial data concerning the Company. The selected financial data has been derived from the consolidated financial statements which have been audited by Tourville, Simpson & Henderson, L.L.P., independent accountants. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations.

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Year ended December 31	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
(Dollars in thousands, except per share)					
BALANCE SHEET:					
Securities available for sale	$ 10,744	$ 9,395	$ 10,188	$ 4,965	$ 5,541
Securities held to maturity	5,192	6,301	6,810	5,008	6,560
Allowance for loan losses	929	743	639	617	550
Net loans	50,950	40,614	34,515	29,598	25,224
Premises and equipment - net	1,906	1,999	1,262	818	764
Total assets	89,503	65,075	56,778	47,848	40,622
Non-interest bearing deposits	8,533	6,064	5,674	4,690	4,656
Interest bearing deposits	71,816	50,879	44,391	35,950	27,981
Total deposits	80,349	56,943	50,065	40,640	32,637
Short-term borrowings	410	480	-	990	3,044
Total liabilities	81,333	57,841	50,395	42,234	35,793
Total shareholders' equity	8,170	7,234	6,383	5,614	4,829

RESULTS OF OPERATIONS:					
Interest income	$ 5,748	$ 4,749	$ 4,151	$ 3,557	$ 3,035
Interest expense	2,674	2,131	1,937	1,524	1,141
Net interest income	3,074	2,618	2,214	2,033	1,894
Provision for loan losses	260	135	130	125	120
Net interest income after provision	2,814	2,483	2,084	1,908	1,774
Other income	342	258	224	176	151
Other expenses	1,630	1,329	1,072	952	886
Income tax expense	500	468	417	397	352
Net income	$ 1,026	$ 944	$ 819	$ 735	$ 687
CASH DIVIDENDS PAID:	$ 93	$ 84	$ 75	$ 63	$ 54
PER SHARE DATA:					
Weighted average common shares outstanding	298,390	298,646	299,420	300,000	300,000
Net income	$ 3.44	$ 3.16	$ 2.73	$ 2.45	$ 2.29
Cash dividends paid	$ .31	$ .28	$ .25	$ .21	$ .18
Period end book value	$ 27.37	$ 24.24	$ 21.32	$ 18.71	$ 16.10

</TABLE>

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

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE PRECEDING "SELECTED FINANCIAL DATA" AND THE COMPANY'S FINANCIAL STATEMENTS AND THE NOTES THERETO AND THE OTHER FINANCIAL DATA INCLUDED ELSEWHERE IN THIS ANNUAL REPORT.

GENERAL

Communitycorp is a South Carolina corporation organized on March 13, 1995 to be a bank holding company (the Company). The Company's subsidiary, Bank of Walterboro, is a state-chartered commercial bank with two banking locations. The Bank's main office and operations center is located at 1100 North Jefferies Boulevard, Walterboro, South Carolina. The Bank opened its first branch on October 6, 1997 at 6225 Savannah Highway, Ravenel, South Carolina. The Company's primary market area is Colleton and Charleston Counties. Depository accounts are insured by the Federal Deposit Insurance Corporation up to the maximum amount permitted by law. The Bank, which received its charter on October 11, 1988 and opened for business on May 1, 1989, is dedicated to providing prompt, efficient, personal service to its customers. A full range of deposit services for individuals and businesses are offered by the Bank. Deposit products include checking accounts, savings accounts, certificates of deposit, money market accounts, and IRA's.

The Company is primarily engaged in the business of attracting deposits from the general public and using these deposits together with other funds to make commercial, consumer, and real estate loans. The Company's operating results depend to a substantial extent on the difference between interest and fees earned on loans, investments, and services, and the Company's interest expense, consisting principally of interest paid on deposits. Unlike most industrial companies, virtually all of the assets and liabilities of financial institutions are monetary. As a result, interest rates have a greater effect on the financial institution's performance. In addition to competing with other traditional financial institutions, the Company also competes for savings dollars with non-traditional financial intermediaries such as mutual funds. This has resulted in a highly competitive market area which demands the type of personal service and attention granted by Bank of Walterboro.

The earnings and growth of the banking industry and the Company are and will be affected by general conditions of the economy and by the fiscal and monetary policies of the federal government and its agencies, including the Board of Governors of the Federal Reserve System (the Board). The Board regulates money and credit conditions and, as a result, has a strong influence on interest rates and on general economic conditions. The effect of such policies in the future on the business and earnings of the Company cannot be predicted with certainty.

As of December 31, 1998, the Company had seventeen full-time and two part-time employees in the Walterboro branch and six full-time employees at the Ravenel branch.

RESULTS OF OPERATIONS

This discussion and analysis is intended to assist the reader in understanding the financial condition and results of operations of Communitycorp and its subsidiary, Bank of Walterboro. This commentary should be read in conjunction with the consolidated financial statements and the related notes and the other statistical information in this report.

1998 COMPARED TO 1997

Net income for the year ended December 31, 1998 was $1,026,338, or $3.44 per share, compared to $944,374, or $3.16 per share, for the year ended December 31, 1997. An increase in net interest income of $456,132 over the 1997 amount of $2,617,630 contributed to this overall increase. Other income increased $83,150, or 32.10%, over 1997. Other expenses increased from $1,329,266 for 1997 to $1,629,416 for 1998. A primary reason for the $300,150 increase in other expenses was attributable to salaries and employee benefits, which in addition to normal pay raises, was also affected by salaries paid for a full year in 1998 at the Ravenel branch compared to only three months in 1997.

1997 COMPARED TO 1996

Net income for the year ended December 31, 1997 was $944,374, or $3.16 per share, compared to $818,719, or $2.73 per share, for the year ended December 31, 1996. An increase in net interest income of $403,739 over the 1996 amount of $2,213,891 contributed to this overall increase. Other income increased $34,733, or 15.49%, over 1996. Other expenses increased from $1,071,882 for 1996 to $1,329,266 for 1997. Expenses associated with opening a second branch in Ravenel were a contributing factor to the increase in other expenses. In addition to hiring employees to service the branch, other expenses such as supplies and stationery were purchased.

NET INTEREST INCOME

GENERAL. To a large degree, earnings are dependent on net interest income. It represents the difference between interest earned on assets and interest paid on liabilities. Interest rate spread and net interest margin are two significant elements in analyzing the Company's net interest income. Interest rate spread is the difference between the yield on average earning assets and the rate on average interest bearing liabilities. Net interest margin is net interest income divided by earning assets.

Net interest income increased from $2,617,630 in 1997 to $3,073,762 in 1998, resulting in an increase of 17.43%. Income from loans increased by 25.41% to $4,455,655 for 1998 as compared to $3,552,858 for 1997. This increase was attributable to the growth in the loan portfolio from $41,357,114 in 1997 to $51,879,654 in 1998. There was a decrease in investment income of $149,512 from the 1997 amount of $987,417 as the Company elected to shift its resources among interest-earning assets. The net interest spread and net interest margin were 3.80% and 4.51% in 1998 as compared to 3.86% and 4.61% in 1997.

Net interest income increased from $2,213,891 in 1996 to $2,617,630 in 1997, resulting in an increase of 18.24%. Income from loans increased by 16.75% to $3,552,858 for 1997 as compared to $3,043,172 for 1996. This increase was attributable to the growth in the loan portfolio from $35,153,845 in 1996 to $41,357,114 in 1997. There was also an increase in investment income of $96,856, an increase of 10.88% over the 1996 amount of $890,561. The net interest spread and net interest margin were 3.86% and 4.61% in 1997 as compared to 3.62% and 4.40% in 1996.

NET INTEREST INCOME - Continued

AVERAGE BALANCES, INCOME, EXPENSES, AND RATES. The following table sets forth, for the periods indicated, the weighted average yields earned, the weighted average yields paid, the net interest spread, and the net interest margin on earning assets. The table also indicates the average monthly balance and the interest income or expense by specific categories.

AVERAGE BALANCES, INCOME, EXPENSES, AND RATES

<TABLE>
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(Dollars in thousands)	1998 Average Balance	1998 Income/ Expense	1998 Yield/ Rate	1997 Average Balance	1997 Income/ Expense	1997 Yield/ Rate
ASSETS:						
Time deposits in other banks	$ -	$ -	-%	$ 8	$ 1	5.50%
Taxable securities (1)	10,282	670	6.52%	13,254	851	6.42%
Tax-exempt securities (1)	3,771	168	4.46%	3,063	137	4.47%
Federal funds sold	8,175	455	5.57%	3,754	208	5.54%
Loans (2)	45,905	4,455	9.70%	36,668	3,552	9.69%
Total earning assets	68,133	5,748	8.43%	56,747	4,749	8.37%
Cash and due from banks	3,296			2,231		
Allowance for loan losses	(793)			(692)		
Premises and equipment	1,975			1,578		
Other assets	1,055			923		
Total assets	$ 73,666			$ 60,787		
LIABILITIES:						
Interest bearing deposits	$ 57,316	2,655	4.63%	$ 46,892	2,113	4.51%
Short-term borrowings	414	19	4.59%	379	18	4.75%
Total interest-bearing liabilities	57,730	2,674	4.63%	47,271	2,131	4.51%
Non-interest bearing deposits	7,786			6,376		
Accrued interest and other liabilities	543			452		
Shareholders' equity	7,607			6,688		
Total liabilities and shareholders' equity	$ 73,666			$ 60,787		
Net interest income/ interest rate spread		$ 3,074	3.80%		$ 2,618	3.86%
Net interest margin on earning assets			4.51%			4.61%

</TABLE>

(1) Averages for securities are stated at historical cost.

(2) The effect of loans in non-accrual status and fees collected is not significant to the computations. All loans and deposits are domestic.

NET INTEREST INCOME - Continued

ANALYSIS OF CHANGES IN NET INTEREST INCOME. Net interest income can also be analyzed in terms of the impact of changing rates and changing volume. The following table describes the extent to which changes in interest rates and changes in the volume of earning assets and interest bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information provided on changes in each category attributable to (i) changes due to volume (change in volume multiplied by prior period rate), (ii) changes due to rates (changes in rates multiplied by prior period volume) and (iii) changes in rate and volume (change in rate multiplied by the change in volume).

<TABLE>
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ANALYSIS OF CHANGES IN NET INTEREST INCOME

	1998 compared to 1997 Due to increase (decrease) in			
(Dollars in thousands)	Volume	Rate	Volume/Rate	Total
<S>	<C>	<C>	<C>	<C>
EARNING ASSETS				
Deposits in other banks	$ (1)	$ -	$ -	$ (1)
Taxable securities	(191)	13	(3)	(181)
Tax-exempt securities	32	-	-	32
Federal funds sold	245	1	1	247
Loans	895	5	1	901
Total interest income	980	19	(1)	998
INTEREST-BEARING LIABILITIES				
Interest bearing deposits	470	58	13	541
Short-term borrowings	2	(1)	-	1
Total interest expense	472	57	13	542
Net interest income	$ 508	$ (38)	$ (14)	$ 456

	1997 compared to 1996 Due to increase (decrease) in			
(Dollars in thousands)	Volume	Rate	Volume/Rate	Total
EARNING ASSETS				
Deposits in other banks	$ -	$ -	$ -	$ -
Taxable securities	51	22	1	74
Tax-exempt securities	17	5	1	23
Federal funds sold	(12)	4	-	(8)
Loans	520	(10)	(2)	508
Total interest income	576	21	-	597
INTEREST-BEARING LIABILITIES				
Interest bearing deposits	241	(46)	(6)	189
Short-term borrowings	8	(2)	(1)	5
Total interest expense	249	(48)	(7)	194
Net interest income	$ 327	$ 69	$ 7	$ 403

</TABLE>

INTEREST SENSITIVITY. The Company monitors and manages the pricing and maturity of its assets and liabilities in order to diminish the potential adverse impact that changes in interest rates could have on its net interest income. The principal monitoring technique employed by the Company is the measurement of the Company's interest sensitivity "gap," which is the positive or negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. Interest rate sensitivity can be managed by repricing assets or liabilities, selling securities available-for-sale, replacing an asset or liability at maturity, or adjusting the interest rate during the life of an asset or liability. Managing the amount of assets and liabilities repricing in this same time interval helps to hedge the risk and minimize the impact on net interest income of rising or falling interest rates.

NET INTEREST INCOME - Continued

The following table presents the Company's rate sensitivity at each of the time intervals indicated as of December 31, 1998. The table may not be indicative of the Company's rate sensitivity position at other points in time.

<TABLE>
<CAPTION>

INTEREST SENSITIVITY ANALYSIS

(Dollars in thousands)	Within three months	After three through six months	After six through twelve months	Within one year	Greater than One Year or Nonsensitive	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest earning assets:						
Federal funds sold and securities purchased under agreements to resell	$ 15,610	$ -	$ -	$ 15,610	$ -	$ 15,610
Investment securities	310	125	904	1,339	14,597	15,936
Loans (1)	9,852	4,241	9,466	23,559	27,454	51,013
Total	25,772	4,366	10,370	$40,508	$ 42,051	$82,559
LIABILITIES Interest bearing liabilities:						
Demand deposits	19,873	-	-	19,873	-	19,873
Savings deposits	13,731	-	-	13,731	-	13,731
Time deposits	16,493	9,940	9,525	35,958	2,254	38,212
Short-term borrowings	410	-	-	410	-	410
Total	50,507	9,940	9,525	$69,972	$ 2,254	$72,226
Period gap	(24,735)	(5,574)	845	(29,464)	39,797	
Cumulative gap	(24,735)	(30,309)	(29,464)	(29,464)	10,333	
Ratio of cumulative gap to total earning assets	(29.96)%	(36.71)%	(35.69)%	(35.69)%	12.52%	

</TABLE>

(1) Excludes nonaccrual loans.

The above table reflects the balances of interest-earning assets and interest-bearing liabilities at the earlier of their repricing or maturity dates. Overnight federal funds and securities purchased under agreements to resell are reflected at the earliest pricing interval due to the immediately available nature of the instruments. Scheduled payment amounts of fixed rate amortizing loans are reflected at each scheduled payment date. Scheduled payment amounts of variable rate amortizing loans are reflected at each scheduled payment date until the loan may be repriced contractually; the unamortized balance is reflected at that point. Interest-bearing liabilities with no contractual maturity, such as savings deposits and interest-bearing transaction accounts, are reflected in the earliest repricing period due to contractual arrangements which give the Company the opportunity to vary the rates paid on those deposits within a thirty-day or shorter period. Fixed rate time deposits, principally certificates of deposit, are reflected at their contractual maturity date. Short-term borrowings are reflected in the earliest repricing period since these borrowings mature daily.

The Company generally would benefit from increasing market rates of interest when it has an asset-sensitive gap and generally would benefit from decreasing market rates of interest when it is liability sensitive. The Company currently is liability sensitive over periods with maturity dates of less than twelve months. However, the Company's gap analysis is not a precise indicator of its interest sensitive position. The analysis presents a static view of the timing of maturities and repricing opportunities, without taking into consideration that changes in interest rates do not affect all assets and liabilities equally. Net interest income is also impacted by other significant factors, including changes in the volume and mix of earning assets and interest-bearing liabilities.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

GENERAL. The Company has developed policies and procedures for evaluating the overall quality of its credit portfolio and the timely identification of potential problem credits. Management's judgment as to the adequacy of the allowance is based upon a number of assumptions about future events which it believes to be reasonable, but which may or may not be valid. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the loan loss allowance will not be required.

Additions to the allowance for loan losses, which are expensed as the provision for loan losses on the Company's Statement of Operations, are made periodically to maintain the allowance at an appropriate level based on management's analysis of the potential risk in the loan portfolio. Currently, the allowance for loan losses is evaluated on an overall portfolio basis. Although an informal allocation was used in the past, management intends to implement a more formal allocation system in the future. This system will allocate the allowance to loan categories, and will be implemented at the time the size and mix of the portfolio support such a system. The amount of the provision is a function of the level of loans outstanding, the level of nonperforming loans, historical loan loss experience, the amount of loan losses actually charged against the reserve during a given period, and current and anticipated economic conditions.

The Company's allowance for loan losses is based upon judgments and assumptions of risk elements in the portfolio, future economic conditions and other factors affecting borrowers. The process includes identification and analysis of loss potential in various portfolio segments utilizing a credit risk grading process and specific reviews and evaluations of significant problem credits. In addition, management monitors the overall portfolio quality through observable trends in delinquency, charge-offs, and general and economic conditions in the service area. The adequacy of the allowance for loan losses and the effectiveness of the Company's monitoring and analysis system are also reviewed periodically by the banking regulators and the Company's independent auditors.

The reserve for loan losses was 1.79% of total loans on December 31, 1998 and 1997. Management's goal will be to keep the reserve at 1.75% to 2.00% of total loans. As the Company continues to mature, management will evaluate its reserve policy and adjust the policy based on historical loss experience, changes in economic conditions, growth in the portfolio, and evaluations of specific loans. Management believes the level of the allowance for loan losses is sufficient to provide for potential losses in the loan portfolio.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that the collection of interest is doubtful. A delinquent loan is generally placed in nonaccrual status when it becomes 90 days or more past due. No additional interest is accrued on the loan balance until the collection of both principal and interest becomes reasonably certain. When a problem loan is finally resolved, there may ultimately be an actual writedown or charge-off of the principal balance of the loan which would necessitate additional charges to earnings. For all periods presented, the additional interest income, which would have been recognized into earnings if the Company's nonaccrual loans had been current in accordance with their original terms, is immaterial.

<TABLE>
<CAPTION>

ALLOWANCE FOR LOAN LOSSES	1998	1997
<S>	<C>	<C>
Loans outstanding at end of year	$51,879,654	$41,357,114
Average amount of loans outstanding	$45,905,458	$36,667,794
Balance, beginning of year	$ 743,260	$ 638,688
Loans charged off:		
Commercial, financial, and agricultural	64,544	13,734
Real estate-mortgage	2,000	-
Consumer	25,565	29,577
Total loans charged off	92,109	43,311
Recoveries of previous loan losses:		
Commercial, financial, and agricultural	14,981	6,587
Real estate-mortgage	-	-
Consumer	3,350	6,296
Total recoveries	18,331	12,883
Net charge-offs	73,778	30,428
Provision charged to operations	260,000	135,000
Balance, end of year	$ 929,482	$ 743,260
Ratios:		
Net charge-offs to average loans outstanding	.16%	.08%
Net charge-offs to loans at end of year	.14%	.07%
Allowance for loan losses to average loans	2.02%	2.03%
Allowance for loan losses to loans, end of year	1.79%	1.79%
Net charge-offs to allowance for loan losses	7.94%	4.09%
Net charge-offs to provision for loan losses	28.38%	22.54%

NONPERFORMING ASSETS. The following table sets forth the Company's nonperforming assets for the dates indicated:

	1998	1997
Nonaccrual loans	$ 866,785	$ 561,381
Restructured or impaired loans	-	-
Total nonperforming loans	$ 866,785	$ 561,381
Loans 90 days or more past due and still accruing interest	$ 4,956	$ 5,133

</TABLE>

POTENTIAL PROBLEM LOANS. At December 31, 1998, through their internal review mechanisms the Company had identified $187,032 of criticized loans and $812,695 of classified loans. The results of this internal review process are the primary determining factor in management's assessment of the adequacy of the allowance for loan losses.

NON-INTEREST INCOME AND EXPENSE

NON-INTEREST INCOME. Other income increased $83,150 or 32.10% to $342,147 for the year ended December 31, 1998. Service charges on deposit accounts increased from $238,051 for 1997 to $311,086 for the year ended December 31, 1998. NSF and overdraft fees increased $40,904 or 24.71% to $206,414 for the year ended December 31, 1998 as compared to the same period a year earlier. In addition, fees from check sales increased from $16,754 in 1997 to $20,210 for the year ended December 31, 1998.

Other income increased $34,733 or 15.49% to $258,997 for the year ended December 31, 1997. Service charges on deposit accounts increased from $203,929 for 1996 to $238,051 for the year ended December 31, 1997. NSF and overdraft fees of $24,922, or 73.04%, contributed a significant portion of this increase. In addition, fees from check sales increased from $8,939 in 1996 to $16,754 for the year ended December 31, 1997.

NON-INTEREST EXPENSE. The Company had an increase in non-interest expenses of $300,150, or 22.58%, to a total of $1,629,416 for the year ended December 31, 1998. Annual pay raises and a full twelve months of salaries for the staff at the Ravenel branch contributed to an increase of $172,252, or 28.59%, in salaries and employee benefits. Net occupancy expense increased $20,877, or 9.19%, to $248,097 at December 31, 1998. Other operating expenses increased $62,458, or 13.71%, over the 1997 amount of $455,489.

The Company had an increase in non-interest expenses of $257,384, or 24.01%, to a total of $1,329,266 for the year ended December 31, 1997. Annual pay raises and the addition of five employees for the Ravenel branch contributed to an increase of $121,203, or 25.18%, in salaries and employee benefits. Employees for the Ravenel branch began employment in September, 1997. Net occupancy expense increased $83,172, or 57.74%, to $227,220 at December 31, 1997. This increase is partially attributable to depreciation on the new branch. Other operating expenses increased $65,392, or 16.76%, over the 1996 amount of $390,097. The purchase of supplies for the new branch was a contributing factor to this increase.

INCOME TAXES. The Company's income tax expense for 1998 was $500,155, an increase of $32,168 over the 1997 expense of $467,987. The increase in the expense results primarily from increased income before taxes. The Company's effective tax rates for the years ended December 31, 1998 and 1997 were 32.77% and 33.14%, respectively.

EARNING ASSETS

LOANS. Loans are the largest category of earning assets and typically provide higher yields than other types of earning assets. Associated with the higher loan yields are the inherent credit and liquidity risks which management attempts to control and counterbalance. Loans averaged $45,905,458 in 1998 compared to $36,667,794 in 1997, an increase of $9,237,664, or 25.19%. At December 31, 1998, total loans were $51,879,654 compared to $41,357,114 at December 31, 1997.

The Company's ratio of loans to deposits was 64.57% on December 31, 1998 as compared to 72.63% on December 31, 1997. The loan to deposit ratio is used to monitor a financial institution's potential profitability and efficiency of asset distribution and utilization. Generally, a higher loan to deposit ratio is indicative of higher interest income since loans yield a higher return than alternative investment vehicles. Management has concentrated on maintaining quality in the loan portfolio while continuing to increase the deposit base.

The Company extends credit primarily to consumers and small businesses in Walterboro and Ravenel, South Carolina, and, to customers in surrounding areas. The Company's service area is mixed in nature. The economy of Walterboro is a regional business center whose economy contains elements of medium and light manufacturing, higher education, regional health care, and distribution facilities. Outside the incorporated city limits of Walterboro, the economy includes manufacturing, agriculture, timber, and recreational activities. Loan growth in the Ravenel area is also expected to come primarily from consumer loans and small businesses in neighboring Charleston County. No particular category or segment of the economies previously described are expected to grow or contract disproportionately in 1999. Management is of the opinion that the loan portfolio is adequately diversified. There are no significant concentrations of loans in any particular individuals or industry or group of related individuals or industries. The loan demand remains strong in the Company's market area, supported in part, by customers moving from larger financial institutions after recent mergers.

LOAN PORTFOLIO COMPOSITION

	1998 Amount	1998 Percent of Total	1997 Amount	1997 Percent of Total
Commercial, financial and agricultural	$ 34,895,290	67.26%	$28,729,677	69.46%
Real estate loans	7,813,792	15.06	5,080,608	12.28
Consumer and other loans	9,170,572	17.68	7,546,829	18.26
Total gross loans	51,879,654	100.00%	41,357,114	100.00%
Allowance for loan losses	(929,482)		(743,260)	
Total net loans	$ 50,950,172		$40,613,854	

Commercial, financial and agricultural loans increased $6,165,613, or 21.46%, to $34,895,290 at December 31, 1998. Real estate loans totaled $7,813,792 at December 31, 1998. This was an increase of $2,733,184, or 53.80%, over the 1997 amount of $5,080,608. Consumer and all other loans increased $1,623,743, or 21.52%, to $9,170,572 at December 31, 1998.

MATURITIES AND SENSITIVITY OF LOANS TO CHANGES IN INTEREST RATES

The following table summarizes the loan maturity distribution, by type, at December 31, 1998 and related interest rate characteristics:

	One year or less	One to five years	After five years	Total
Commercial, financial and agricultural	$ 15,784,619	$18,831,058	$ 279,613	$ 34,895,290
Real estate loans	3,533,870	4,074,287	205,635	7,813,792
Consumer and other loans	4,240,644	4,735,530	194,398	9,170,572
	$ 23,559,133	$27,640,875	$ 679,646	$51,879,654
Loans maturing after one year with:				
Fixed interest rates				$28,320,521
Floating interest rates				-
				$28,320,521

The information presented in the above table is based on the contractual maturities of the individual loans, including loans which may be subject to renewal at their contractual maturity. Renewal of such loans is subject to review and credit approval as well as modification of terms upon their maturity. Consequently, management believes this treatment presents fairly the maturity and repricing structure of the loan portfolio shown in the above table.

EARNING ASSETS - Continued

SHORT-TERM INVESTMENTS. Short-term investments, which consist of federal funds sold and securities purchased under agreements to resell, averaged $8,175,065 in 1998, as compared to $3,753,734 in 1997. At December 31, 1998, short-term investments totaled $15,610,000. These funds are a primary source of the Company's liquidity and are generally invested in an earning capacity on an overnight basis.

INVESTMENT SECURITIES. The investment securities portfolio is a significant component of the Company's total earning assets. Total securities, stated at historical cost, averaged $14,053,391 in 1998, compared to $16,317,411 in 1997. At December 31, 1998, the total securities portfolio was $15,936,486. Securities designated as available for sale totaled $10,744,051 and were recorded at estimated fair market value, and securities designated as held to maturity totaled $5,192,435 and were recorded at amortized cost. The investment objectives of the Company include maintaining and investing in a portfolio of high quality and highly liquid investments with competitive returns. Based on these objectives, the Company's investments are primarily in U.S. Treasuries and obligations of U.S. Agencies.

INVESTMENT PORTFOLIO. The following tables summarize the carrying value of investment securities as of the indicated dates and weighted average yields of those securities at December 31, 1998 and 1997.

INVESTMENT SECURITIES PORTFOLIO COMPOSITION

<TABLE>
<CAPTION>

	December 31,	
HELD TO MATURITY (1)	1998	1997
<S>	<C>	<C>
U.S. Treasury and U.S. Government agencies	$ 200,068	$ 2,550,676
Obligations of states and political subdivisions	4,390,314	2,443,742
Mortgage-backed securities	602,053	1,306,900
	$ 5,192,435	$ 6,301,318
AVAILABLE FOR SALE (1)		
U.S. Treasury and U.S. Government agencies	$ 8,868,075	$ 7,521,209
Obligations of states and political subdivisions	1,460,288	984,373
Mortgage-backed securities	415,688	889,154
	$10,744,051	$ 9,394,736

</TABLE>

(1) Held to maturity securities are stated at amortized cost and available for sale securities are stated at fair value.

INVESTMENT PORTFOLIO - Continued

INVESTMENT SECURITIES MATURITY DISTRIBUTION AND YIELDS

<TABLE>
<CAPTION>

	1998			
	Available for Sale	Yield(1)	Held to Maturity	Yield(1)
<S>	<C>	<C>	<C>	<C>
U.S. Treasury and U.S. Government				

agencies due:				
Within one year	$ 704,312	6.25%	$ -	-
After one year but within five years	5,458,835	8.96%	200,068	5.73%
After five years but within ten years	2,704,928	6.37%	-	-
	8,868,075	7.95%	200,068	5.73%
Obligations of state and political subdivisions due:				
Within one year	-	-	635,118	6.70%
After one year but within five years	437,623	7.08%	1,153,118	6.88%
After five years but within ten years	485,190	7.21%	1,451,702	6.46%
After ten years	537,475	6.69%	1,150,376	6.65%
	1,460,288	6.98%	4,390,314	6.65%
Mortgage-backed securities due:				
Within one year	-	-	14,834	5.00%
After one year but within five years	-	-	288,694	5.48%
After five years but within ten years	-	-	298,525	6.58%
After ten years	415,688	4.61%	-	-
	415,688	4.61%	602,053	6.01%
Total due:				
Within one year	704,312	6.25%	649,952	6.66%
After one year but within five years	5,896,458	8.82%	1,641,880	6.49%
After five years but within ten years	3,190,118	6.50%	1,750,227	6.48%
After ten years	953,163	5.78%	1,150,376	6.65%
	$10,744,051	7.69%	$5,192,435	6.54%

</TABLE>

(1) Tax equivalent yield has been calculated using an incremental rate of 34%.

DEPOSITS AND OTHER INTEREST-BEARING LIABILITIES

DEPOSITS. During 1998, the Company experienced significant growth in overall deposits. Total average deposits increased $11,833,354 or 22.21% over 1997 average deposits of $53,268,009. The following table summarizes the Bank's deposits for the years ended December 31, 1998 and 1997.

<TABLE>
<CAPTION>

DEPOSITS	1998		1997	
	Amount	Percent of Deposits	Amount	Percent of Deposits
<S>	<C>	<C>	<C>	<C>
Non-interest bearing demand	$ 8,532,818	10.62%	$ 6,063,801	10.65%
Interest bearing transaction accounts	16,485,481	20.52	11,263,207	19.78
Savings	17,118,474	21.30	15,029,295	26.39
Time deposits of $100,000 and over	18,148,646	22.59	8,739,395	15.35
Other time deposits	20,063,350	24.97	15,847,390	27.83

$ 80,348,769	100.00%	$56,943,088	100.00%

</TABLE>

Core deposits, which exclude certificates of deposit of $100,000 or more, provide a relatively stable funding source for the Company's loan portfolio and other earning assets. The Company's core deposits were $62,200,123 and $48,203,693 at December 31, 1998 and 1997, respectively. A stable base of deposits is expected to be the Company's primary source of funding to meet both its short-term and long-term liquidity needs in the future.

MATURITIES OF CERTIFICATES OF DEPOSIT OF $100,000 OR MORE

The maturity distribution of the Company's time deposits at December 31, 1998, is shown in the following table.

<TABLE>
<CAPTION>

<S>	Within Three Months <C>	After Three Through Six Months <C>	After Six Through Twelve Months <C>	After Twelve Months <C>	Total <C>
Certificates of deposit of $100,000 or more	$ 9,740,482	$ 4,356,405	$ 3,299,215	$ 752,544	$ 18,148,646

</TABLE>

Large certificate of deposit customers tend to be extremely sensitive to interest rate levels, making these deposits less reliable sources of funding for liquidity planning purposes than core deposits. Some financial institutions partially fund their balance sheet using large certificates of deposit obtained through brokers. These brokered deposits are generally expensive and are unreliable as long-term funding sources. Accordingly, the Company does not accept brokered deposits.

SHORT-TERM BORROWINGS. At December 31, 1998 and 1997, the Company had short term borrowings which consisted of securities sold under agreements to repurchase of $410,000 and $480,000, respectively. The maximum amount outstanding at any month-end for the repurchase agreement was $815,000 and $760,000 for 1998 and 1997, respectively. The average interest rate paid on the repurchase agreement was 4.53% and 4.68% for 1998 and 1997, respectively.

CAPITAL

The Federal Reserve Board and bank regulatory agencies require bank holding companies and financial institutions to maintain capital at adequate levels based on a percentage of assets and off-balance sheet exposures, adjusted for risk weights ranging form 0% to 100%. The Federal Reserve guidelines also contain an exemption from the capital requirements for bank holding companies with less than $150 million in consolidated assets. Because the Company has less than $150 million in assets, it is not currently subject to these rules.

CAPITAL - Continued

Under the risk-based standard, capital is classified into two tiers. Tier 1 capital of the Company consists of common stockholders' equity, excluding the unrealized gain (loss) on securities available-for-sale, minus certain intangible assets. Tier 2 capital consists of the general reserve for loan losses subject to certain limitations. A bank holding company's qualifying capital base for purposes of its risk-based capital ratio consists of the sum of its Tier 1 and Tier 2 capital. The regulatory minimum requirements are 4% for Tier 1 and 8% for total risk-based capital. The holding company and banking subsidiary are also required to maintain capital at a minimum level based on average assets, which is known as the leverage ratio. Only the strongest bank holding companies and banks are allowed to maintain capital at the minimum requirement. All others are subject to maintaining ratios 100 to 200 basis points above the minimum.

<TABLE>

<CAPTION>

RISK-BASED CAPITAL RATIOS

Tier 1 capital:	The Bank	The Company
<S>	<C>	<C>
Common shareholders' equity	$ 8,038,907	$ 8,129,958
Less: intangibles	-	18,993
Total Tier 1 capital	8,038,907	8,110,965
Tier 2 capital:		
Allowable allowance for loan losses	744,606	744,917
Tier 2 capital additions	744,606	744,917
Total capital	$ 8,783,513	$ 8,855,883
Risk adjusted assets	$59,568,516	$59,593,378
Total assets	$89,477,975	$89,502,970
Risk-based capital ratios:		
Tier 1 capital	13.50%	13.61%
Total capital	14.75	14.86
Tier 1 leverage ratio	9.74	9.82

</TABLE>

LIQUIDITY MANAGEMENT

The Company manages its liquidity from both the asset and liability side of the balance sheet through the coordination of the relative maturities of its assets and liabilities. Short-term liquidity needs are generally met from cash, due from banks, federal funds sold and deposit levels. Management has established policies and procedures governing the length of time to maturity on loans and investments. Investments classified as available for sale are placed in this category specifically to fund future liquidity needs, if necessary. The Company maintained a high level of liquidity during 1998 which was attributable to the growth in deposits during the year. In the opinion of management, the Company's short-term and long-term liquidity needs can be adequately supported by the Company's deposit base.

IMPACT OF INFLATION

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

While the effect of inflation on a bank is normally not as significant as its influence on those businesses that have large investments in plant and inventories, it does have an effect. Interest rates generally increase as the rate of inflation increases, but the magnitude of the change in rates may not be the same. While interest rates have traditionally moved with inflation, the effect on income is diminished because both interest earned on assets and interest paid on liabilities vary directly with each other. Also, increases in the price of goods and services will generally result in increased operating expenses.

ACCOUNTING AND FINANCIAL REPORTING ISSUES

In April 1998, the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 provides guidance on the financial reporting of start-up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred. Initial application of this SOP is to be reported as the cumulative effect of a change in accounting principle.

This SOP is effective for fiscal years beginning after December 15, 1998. The Company has certain organizational costs on the books relating to the formation of the holding company that fall under the scope of this SOP. The Company adopted this SOP as of January 1, 1999.

In June 1998, the Financial Accounting Standards Board released Statement of Financial Accounting Standards (SAS) 133, "Accounting for Derivative Instruments and Hedging Activities." SAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure these instruments at fair values. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Bank generally does not purchase derivative instruments or enter into hedging activities.

This statement is effective for fiscal years beginning after June 15, 1999.

FORWARD LOOKING AND TREND INFORMATION

The management of the Company is not aware of any trends or events other than those included in this discussion that are likely to have a material effect on the Company's capital resources, liquidity, or operations. Please read the discussion below on the Company's plan for handling Year 2000. Also, no known factors regarding regulatory matters are expected to affect the overall operating results of the Company.

THE YEAR 2000

YEAR 2000 ISSUES. Some computers, software, and other equipment include programming codes in which calendar year data is abbreviated to only two digits. As a result of this design decision, some of these systems could fail to operate or fail to produce correct results if "00" is interpreted to mean 1900, rather than 2000. These problems are widely expected to increase in frequency and severity as the year 2000 approaches and are commonly referred to as the "Year 2000 Problem."

ASSESSMENT. The Year 2000 Problem could affect computers, software, and other equipment that the Company uses. Accordingly, the Company has completed its review of its internal computer programs and systems to determine whether they will be Year 2000 compliant. The Company believes that its computer systems will be Year 2000 compliant in a timely manner. However, while the Company does not expect the cost of these efforts to be material to its financial position or any year's operating results, there can be no assurance to this effect.

INTERNAL INFRASTRUCTURE. The Company utilizes an in-house data processing system for most of its accounting functions. The Company believes that it has identified substantially all of the major computers, software applications, and related equipment used in connection with its internal operations that must be modified, upgraded, or replaced to minimize the possibility of a material disruption of its business. Management has completed upgrading and is in the process of testing the systems that it has determined are not prepared for the year 2000. Management believes that the testing of its systems should be completed by March 31, 1999. The Company also has a number of personal computers, some of which, due to their age, are not Year 2000 compliant. Management has spent approximately $15,000 to get all of its systems Year 2000 compliant. The Company does not believe that the cost related to these efforts will be material to its business, financial condition, or operating results.

SYSTEMS OTHER THAN INFORMATION TECHNOLOGY SYSTEMS. In addition to computers and related systems, the operation of the Company's office and facilities equipment, such as fax machines, photocopiers, telephone switches, security systems, and other devices, may be affected by the Year 2000 Problem. The Company has completed its assessment of the potential effect of, and the costs of remediating, the Year 2000 Problem on this equipment. The Company estimates that its total cost of completing any required modifications, upgrades, or replacements of these internal systems will not have a material effect on its business, financial condition, or operating results.

SUPPLIERS AND OTHER THIRD PARTIES. The Company has been gathering information from and has initiated communications with its supplies and other third parties to identify and, to the extent possible, resolve issues involving the Year 2000 Problem. However, the Company has limited or no control over the actions of its suppliers and others. Therefore, while the Company expects that it will be able to resolve any significant Year 2000 Problem with its own system, it cannot guarantee that its suppliers or others will resolve any or all Year 2000 Problems with their systems before the occurrence of a material disruption to its business. Any failure of these suppliers or others to resolve the Year 2000 Problems with their systems in a timely manner could have a material adverse effect on the Company's business, financial condition, or operating results.

Customers. The Bank believes that the largest Year 2000 Problem exposure to most banks is the preparedness of the customers of the banks. Management is addressing with its customers the possible consequences of not being prepared for Year 2000. Should large borrowers not sufficiently address this issue, the Bank may experience an increase in loan defaults. The amount of potential loss from this issue is not quantifiable. Management is attempting to reduce this exposure by educating its customers. The Bank has implemented a comprehensive Year 2000 credit review policy for all existing loans that exceed $150,000 as well as an underwriting policy for all new loan requests. At present, the Bank's review indicates that the Bank's exposure to credit risks associated with Year 2000 is considered to be low. The Bank's credit review procedures will continue to include these policies throughout 1999.

MOST LIKELY CONSEQUENCES OF YEAR 2000 PROBLEMS. The Company expects to identify and resolve all Year 2000 Problems that could materially adversely affect its business, financial condition, or operating results. However, the Company believes that it is not possible to determine with complete certainty that all Year 2000 Problems affecting it have been identified or corrected. The number of devices that could be affected and the interactions among these devices are simply too numerous. In addition, the Company cannot accurately predict how many failures related to the Year 2000 Problem will occur with its suppliers, customers, or other third parties or the severity, duration, or financial consequences of such failures. As a result, the Company expects that it could possibly suffer the following consequences:

- A number of operational inconveniences and inefficiencies for the Company, its service providers, or its customers that may divert the Company's time and attention and financial and human resources from its ordinary business activities;

- System malfunctions that may require significant efforts by the Company or its service providers or customers to prevent or alleviate material business disruptions.

CONTINGENCY PLANS. The Company has developed contingency plans to be implemented as part of its efforts to identify and correct Year 2000 Problems affecting its internal systems. The plans were approved by the Board of Directors on January 11, 1999. These plans include (a) accelerated replacement of affected equipment or software; (b) short term use of backup equipment and software; (c) increased work hours for the Company's personnel or use of contract personnel to correct on an accelerated schedule any Year 2000 Problems which arise; and (d) other similar approaches. If the Company is required to implement any of these contingency plans, these plans could have a material adverse effect on its business, financial condition, or operating results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements identified in Item 14 of this Report on Form 10-K are included herein on pages 26 through 47.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth certain information as to the Board of Directors' nominees for election as director and of those directors who will continue to serve as such after the Annual Meeting.

NAME	AGE (1)	PRINCIPAL OCCUPATION DURING PAST FIVE YEARS AND OTHER INFORMATION	YEAR FIRST ELECTED DIRECTOR	YEAR TERM EXPIRES
		BOARD NOMINEES		
George W. Cone	53	Partner in Law Firm of McLeod, Fraser & Cone	1988	2002(2)
Opedalis Evans	77	Retired - Former Merchant and Farmer	1988	2002(2)
J. Barnwell Fishburne	43	Owner, Fishburne & Company Real Estate Sales and Rentals	1988	2002(2)
		DIRECTORS CONTINUING IN OFFICE		
E. Ray Carmichael	69	President, Carmichael Oil of Walterboro, Inc., Exxon oil distributor	1988	2001
W. Roger Crook	57	Chief Executive Officer and President of the Bank since its incorporation on October 11, 1988	1988	2001
Harry L. Hill	71	Retired, Former Vice President and Resident Manager, Asten Dryer Fabrics, Inc.	1988	2001
Robert E. Redfearn	75	Retired, Former owner of Sea Spirits, Inc. Grocery/Real Estate	1988	2001
Calvert W. Huffines	49	President of The Huffines Company Real Estate Broker	1988	2000
Peden B. McLeod	58	Retired Code Commissioner and Director, South Carolina Legislative Council, Partner in McLeod, Fraser & Cone Law Firm	1988	2000
Harold M. Robertson	75	Retired, Previous owner of Robertson Electric Company. Retired Member of Board of Directors South Carolina Public Service Authority	1988	2000

(1) At December 31, 1998
(2) Assuming re-election at the Annual Meeting

EXECUTIVE OFFICERS

W. ROGER CROOK, age 57, is Director, CEO and President of Communitycorp. He is also CEO and President of the Bank since its incorporation on October 11, 1988. Mr. Crook was actively involved in organizing the Bank. Prior to February 1988, Mr. Crook was Vice President of Citizens & Southern National Bank, Walterboro, South Carolina, for more than five years.

M. ELLISON YOUNG, age 61, is Vice President of Communitycorp. He has also been Vice President since joining the Bank in October 1991. Prior to October 1990, Mr. Young was Vice President and Branch Manager for The First Savings Bank, Walterboro Branch, for more than five years.

GWENDOLYN P. BUNTON, age 45, Vice President and Treasurer of Communitycorp. Also for the Bank, she has been Vice President and Cashier since December 1993, Assistant Vice President and Cashier since April 1990, Cashier and Operations Officer since May 1989. Mrs. Bunton joined Bank of Walterboro in February 1989. Prior to February 1989, Mrs. Bunton was Loan Administrative Assistant III at Citizens & Southern National Bank, Walterboro, South Carolina, for more than five years.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Company's Board of Directors holds regular meetings monthly. The Board of Directors has established an Audit Committee, an Executive Committee, an Investment Committee and a Loan Committee. The Board does not have a Compensation Committee and functions normally performed by a Compensation Committee are performed by the Executive Committee. During the fiscal year ended December 31, 1998, the Board held a total of 13 regular and special meetings. Each director attended at least 75% of the aggregate of (I) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all Committees, of the Board of Directors on which he served.

The Audit Committee selects the Company's independent auditors, determines the scope of the Annual Audit, determines whether the Company has adequate administrative, operational and internal accounting controls and determines whether the Company is operating according to established policies and procedures. The members of the Audit Committee are George W. Cone, Opedalis Evans, J. Barnwell Fishburne, Harry L. Hill and Robert E. Redfearn. The Audit Committee met five times during 1998.

The Executive Committee established and monitors the Company's major policies, reviews all proposed changes to policies prior to submission to the Board, and monitors the Company's employee compensation and benefit programs. The Executive Committee may act on behalf of the Board of Directors between meetings. Members of the Executive Committee are E. Ray Carmichael, George W. Cone, W. Roger Crook, Peden B. McLeod, and Harold M. Robertson. The Executive Committee met three times during 1998.

The Investment Committee establishes and monitors the Bank's investment policy to insure the safety and liquidity of the Bank's investments and monitors the Bank's assets, liabilities and interest rate policies and exposure. Members of the Investment Committee are George W. Cone, W. Roger Crook and Peden B. McLeod. The Investment Committee met thirty-six times during 1998.

The Loan Committee establishes and monitors the Bank's lending policies, reviews compliance with policy, reviews loans where the borrower's liability exceeds certain limits, monitors loans for credit quality and reviews all loans over 30 days past due. Members of the Loan Committee are E. Ray Carmichael, George W. Cone, W. Roger Crook, Calvert W. Huffines, Peden B. McLeod and Harold M. Robertson. The Loan Committee met fifty-nine times during 1998.

The Board of Directors nominates candidates for election as directors; it has no nominating committee. The Board of Directors will consider individuals recommended by shareholders. Shareholders may make recommendations by writing to Peden B. McLeod, Chairman of the Board, Communitycorp, Post Office Box 1707, Walterboro, South Carolina 29488.

ITEM 11. EXECUTIVE COMPENSATION

The following information is furnished for the Chief Executive Officer of the Company. No other executive officer of the Company received salary and bonuses in excess of $100,000 during the fiscal year ended December 31, 1998.

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE
Annual Compensation

Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	All Other Compensation ($) (1)
<S>	<C>	<C>	<C>	<C>	<C>
W. Roger Crook	1998	$ 100,000	$15,000	---	$ 21,315
President and Chief	1997	86,000	12,000	---	18,020
Executive Officer	1996	76,300	10,000	---	15,341

</TABLE>

(1) Included deferred compensation of $13,265, $12,000, and $10,000 in 1998, 1997, and 1996, respectively, and profit sharing contribution of $8,050, $6,020, and $5,341 in 1998, 1997, and 1996, respectively.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

<TABLE>
<CAPTION>

AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP

	SHARED VOTING AND	TOTAL SOLE AND SHARED VOTING	TOTAL

NAME AND ADDRESS OF BENEFICIAL OWNER	SOLE VOTING AND INVESTMENT POWER	INVESTMENT POWER	AND INVESTMENT POWER	PERCENT OF CLASS
<S>	<C>	<C>	<C>	<C>
OWNERS OF 5% OR MORE OF COMMON STOCK				
Sea Spirits, Inc. (1) 3205 Palmetto Blvd. Edisto, SC 29438	23,843	- 0 -	23,843	7.95%
DIRECTORS				
E. Ray Carmichael (2)	12,032	3,228	15,260	5.09%
George W. Cone (3)	3,026	1,500	4,526	1.50%
W. Roger Crook(4)	2,464	500	2,964	0.98%
Opedalis Evans	4,435	- 0 -	4,435	1.48%
Barnwell Fishburne(5)	6,762	1,488	8,250	2.75%
Harry L. Hill	3,470	- 0 -	3,470	1.16%
Calvert W. Huffines (6)	2,320	4,600	6,920	2.30%
Peden B. McLeod (7)	7,613	19,350	26,963	8.99%
Robert E. Redfearn (8)	500	23,843	24,343	8.11%
Harold Robertson (9)	8,260	2,534	10,794	3.60%
EXECUTIVE OFFICERS AND DIRECTORS AS A GROUP (12 PERSONS)	51,946	57,043	108,989	36.33%

</TABLE>

(1) This corporation is controlled by Robert E. Redfearn, a director of the Bank.
(2) Includes 2,500 shares owned by a corporation which Mr. Carmichael controls and 728 shares owned by family members.
(3) Includes 1,500 shares held by family members
(4) Includes 500 shares held by family members.
(5) Includes 1,488 shares held by family members.
(6) Includes 2,300 shares owned by a foundation controlled by Mr. Huffines and 2,300 shares owned by family members.
(7) Includes 19,350 shares held by family members.
(8) Includes 23,843 shares owned by Sea Spirits, Inc., a corporation which is controlled by Mr. Redfearn.
(9) Includes 2,534 shares held by family members.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has had, and expects to have in the future, banking transactions in the ordinary course of its business with principal officers, directors, and their associates on substantially the same terms including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with others, and did not involve more than normal risk of collectibility or present other unfavorable features. During 1998, the largest aggregate amount of indebtedness of principal officers, directors and their associates to the Company was $1,934,602 which represented 23.68% of the Company's equity capital at the time. During 1998, the law firm of McLeod, Fraser & Cone provided legal services to the Company in its ordinary course of business and it is expected to continue to do so in the future. George W. Cone, director of Communitycorp is a partner of the McLeod, Fraser and Cone law firm. Peden B. McLeod, Director and Chairman of the Board of Communitycorp, is also a partner in the law firm of McLeod, Fraser and Cone.

PART IV

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

(a) (1)-(2) Financial Statements and Schedules:

The consolidated financial statements and schedules of the Company identified in the accompanying index to financial statements at page 25 herein are filed as part of this report.

(a)(3)Listing of Exhibits

3.1 *Articles of Incorporation. (Incorporated by reference to Exhibit 3.1 to Registrant's Form 10-K the fiscal year ended December 31, 1995)

3.2 *Bylaws of Communitycorp. (Incorporated by reference to Exhibit

3.2 to Registrant's Form 10-K for the fiscal year ended December 31, 1995)

(a)(3) 21 Subsidiaries of Registrant

Bank of Walterboro is the only subsidiary of Communitycorp.

(b)Reports on Form 8-K

There were no reports on Form 8-K filed during the fourth quarter ended December 31, 1998.

* Incorporated by reference as indicated.

COMMUNITYCORP AND SUBSIDIARY

Consolidated Financial Statements

Years Ended December 31, 1998, 1997, 1996

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Communitycorp
Walterboro, South Carolina

We have audited the accompanying consolidated balance sheets of Communitycorp as of December 31, 1998 and 1997, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Communitycorp as of December 31, 1998 and 1997, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

TOURVILLE, SIMPSON & HENDERSON, L.L.P.

Tourville, Simpson & Henderson, L.L.P.
Columbia, South Carolina
February 25, 1999

COMMUNITYCORP

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
ASSETS Cash and cash equivalents:		
Cash and due from banks (Note C)	$ 3,864,460	$ 2,602,260
Federal funds sold and securities purchased under agreements to resell	15,610,000	3,130,000
	19,474,460	5,732,260
Investment securities: (Note D)		
Securities available for sale	10,744,051	9,394,736
Securities held to maturity (market value of $5,259,426 in 1998 and $6,343,032 in 1997)	5,192,435	6,301,318
	15,936,486	15,696,054
Loans (Note E)	51,879,654	41,357,114
Less allowance for loan losses	(929,482)	(743,260)
Loans, net	50,950,172	40,613,854
Premises and equipment, net (Note F)	1,905,761	1,999,055
Accrued interest receivable	790,130	726,318
Other assets	445,961	307,321
Total assets	$89,502,970	$ 65,074,862
LIABILITIES		
Deposits:		
Non-interest bearing demand deposits	$ 8,532,818	$ 6,063,801

Interest bearing demand	16,485,481	11,263,207
Money market accounts	3,387,373	2,879,173
Savings	13,731,101	12,150,122
Time deposits of $100,000 and over (Note G)	18,148,646	8,739,395
Other time deposits (Note G)	20,063,350	15,847,390
	80,348,769	56,943,088
Short-term borrowings (Note I)	410,000	480,000
Accrued interest payable	498,256	342,661
Other liabilities	76,367	75,553
Total liabilities	81,333,392	57,841,302
SHAREHOLDERS' EQUITY (Note L)		
Preferred stock - $5.00 par value; 3,000,000 shares authorized and unissued	-	-
Common stock - $5.00 par value; 3,000,000 shares authorized; 300,000 shares issued and outstanding	1,500,000	1,500,000
Capital surplus	1,731,708	1,731,708
Accumulated other comprehensive income	39,620	38,431
Retained earnings	4,925,661	3,991,832
Treasury stock, at cost (1,543 shares in 1998 and 1,583 in 1997)	(27,411)	(28,411)
Total shareholders' equity	8,169,578	7,233,560
Total liabilities and shareholders' equity	$89,502,970	$ 65,074,862

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

COMMUNITYCORP

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
INTEREST INCOME:			
Loans, including fees	$ 4,455,655	$ 3,552,858	$ 3,043,172
Investment securities			
Taxable	669,843	850,704	776,580
Tax-exempt	168,062	136,713	113,981
Federal funds sold and securities purchased under agreements to resell	454,528	207,830	216,127
Time deposits with other banks	-	861	1,012
	5,748,088	4,748,966	4,150,872
INTEREST EXPENSE:			
Deposits	2,655,592	2,113,575	1,924,305
Short-term borrowings	18,734	17,761	12,676
	2,674,326	2,131,336	1,936,981
NET INTEREST INCOME	3,073,762	2,617,630	2,213,891
Provision for loan losses (Note E)	260,000	135,000	130,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,813,762	2,482,630	2,083,891

	1998	1997	1996
OTHER INCOME:			
Service charges on deposit accounts	311,086	238,051	203,929
Other	31,061	20,946	20,335
	342,147	258,997	224,264
OTHER EXPENSES:			
Salaries and employee benefits	774,736	602,484	481,281
Net occupancy expense	248,097	227,220	144,048
Equipment expense	88,636	44,073	56,456
Other operating expense (Note M)	517,947	455,489	390,097
	1,629,416	1,329,266	1,071,882
INCOME BEFORE INCOME TAXES	1,526,493	1,412,361	1,236,273
Income tax expense (Note N)	500,155	467,987	417,554
NET INCOME	$ 1,026,338	$ 944,374	$ 818,719
PER SHARE			
Weighted average common shares outstanding	298,390	298,646	299,420
Net income	$ 3.44	$ 3.16	$ 2.73

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

COMMUNITYCORP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
NET INCOME	$ 1,026,338	$ 944,374	$ 818,719
Other comprehensive income, net of tax:			
Unrealized gains (losses) on securities during the period	1,189	(369)	44,586
Less: reclassification adjustment for gains included in net income	-	-	(147)
Other comprehensive income	1,189	(369)	44,439
COMPREHENSIVE INCOME	$ 1,027,527	$ 944,005	$ 863,158

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

COMMUNITYCORP

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

<S>	Common Stock Shares <C>	Common Stock Amount <C>	Capital Surplus <C>	Accumulated Other Comprehensive Income <C>	Retained Earnings <C>	Treasury Stock <C>	Total <C>
BALANCE, DECEMBER 31, 1995	300,000	$1,500,000	$1,731,708	$ (5,639)	$2,387,436	$ -	$ 5,613,505
Net income					818,719		818,719
Cash dividends declared - $.25 per share					(75,000)		(75,000)
Other comprehensive income				44,439			44,439
Purchase of treasury stock						(18,411)	(18,411)
BALANCE, DECEMBER 31, 1996	300,000	1,500,000	1,731,708	38,800	3,131,155	(18,411)	6,383,252
Net income					944,374		944,374
Cash dividends declared - $.28 per share					(83,697)		(83,697)
Other comprehensive income				(369)			(369)
Purchase of treasury stock						(10,000)	(10,000)
BALANCE, DECEMBER 31, 1997	300,000	1,500,000	1,731,708	38,431	3,991,832	(28,411)	7,233,560
Net income					1,026,338		1,026,338
Cash dividends declared - $.31 per share					(92,509)		(92,509)
Other comprehensive income				1,189			1,189
Sale of treasury stock						1,000	1,000
BALANCE, DECEMBER 31, 1998	300,000	$ 1,500,000	$ 1,731,708	$39,620	$4,925,661	$(27,411)	$ 8,169,578

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

COMMUNITYCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,026,338	$ 944,374	$ 818,719
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	176,752	169,491	94,344
Provision for loan losses	260,000	135,000	130,000
Premium amortization less accretion	(4,922)	5,267	16,578
Deferred income tax provision (benefit)	19,513	(56,384)	45,173
Amortization of loan fees and costs	19,179	35,609	34,973
Increase in accrued interest receivable	(63,812)	(35,618)	(192,329)
Decrease (increase) in other assets	(158,312)	29,481	19,138
Increase in accrued interest payable	155,595	60,793	22,340
Increase (decrease) in other liabilities	814	27,373	(343,070)
Net cash provided by operating activities	1,431,145	1,315,386	645,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of securities available for sale	7,817,497	3,312,439	3,127,790
Proceeds from sale of securities available for sale	-	-	100,125
Purchases of securities available for sale	(9,154,630)	(2,516,600)	(8,382,335)
Proceeds from maturities of securities held to maturity	3,534,612	600,292	1,490,677
Purchases of securities held to maturity	(2,431,641)	(99,709)	(3,310,471)
Net increase in loans to customers	(10,615,497)	(6,269,306)	(5,082,226)
Purchases of premises and equipment	(83,458)	(906,522)	(537,993)
Proceeds from maturity of time deposits with other banks	-	10,000	-
Net cash used by investing activities	(10,933,117)	(5,869,406)	(12,594,433)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in demand deposits, money market, and savings accounts	9,780,470	6,122,115	1,441,971
Net increase in time deposits	13,625,211	755,775	7,983,620
Net increase (decrease) in short-term borrowings	(70,000)	480,000	(989,554)
Cash dividends paid	(92,509)	(83,697)	(75,000)
Purchase of treasury stock	-	(10,000)	(18,411)
Sale of treasury stock	1,000	-	-
Net cash provided by financing activities	23,244,172	7,264,193	8,342,626
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,742,200	2,710,173	(3,605,941)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,732,260	3,022,087	6,628,028
CASH AND CASH EQUIVALENTS, END OF PERIOD	$19,474,460	$ 5,732,260	$ 3,022,087

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION - Communitycorp, a bank holding company organized in 1995 (the Company), and its subsidiary, Bank of Walterboro (the Bank), provide commercial banking services to domestic markets principally in Charleston and Colleton Counties, South Carolina. The consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiary after elimination of all significant intercompany balances and transactions.

MANAGEMENT'S ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements 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 relate to the determination of the allowance for losses on loans, including valuation allowances for impaired loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties. Management must also make estimates in determining the estimated useful lives and methods for depreciating premises and equipment.

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowances may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowances for losses on loans and foreclosed real estate. Such agencies may require the Bank to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these factors, it is possible that the allowances for losses on loans and foreclosed real estate may change in the near term.

INVESTMENT SECURITIES HELD TO MATURITY - Investment securities held to maturity are stated at cost, adjusted for amortization of premium and accretion of discount computed by the straight-line method. The Company has the ability and management has the intent to hold designated investment securities to maturity. Reductions in market value considered by management to be other than temporary are reported as a realized loss and a reduction in the cost basis of the security.

INVESTMENT SECURITIES AVAILABLE FOR SALE - Investment securities available for sale are carried at amortized cost and adjusted to estimated market value by recognizing the aggregate unrealized gains or losses in a valuation account. Aggregate market valuation adjustments are recorded in shareholders' equity net of deferred income taxes. Reductions in market value considered by management to be other than temporary are reported as a realized loss and a reduction in the cost basis of the security. The adjusted cost basis of securities available for sale is determined by specific identification and is used in computing the gain or loss upon sale.

INTEREST AND FEES ON LOANS - Interest income on all loans is computed based upon the unpaid principal balance. Interest income is recorded in the period earned.

The accrual of interest income is discontinued when a loan becomes 90 days past due as to principal or interest. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral exceeds the principal balance and accrued interest.

Loan origination and commitment fees and certain direct loan origination costs (principally salaries and employee benefits) are being deferred and amortized to income over the contractual life of the related loans or commitments, adjusted for prepayments, using the level yield method.

Impaired loans are measured based on the present value of discounted expected cash flows. When it is determined that a loan is impaired, a direct charge to bad debt expense is made for the difference between the net present value of expected future cash flows based on the contractual rate and the Company's recorded investment in the related loan. The corresponding entry is to a related valuation account. Interest is discontinued on impaired loans when management determines that a borrower may be unable to meet payments as they become due.

ALLOWANCE FOR LOAN LOSSES - An allowance for possible loan losses is maintained at a level deemed appropriate by management to provide adequately for known and inherent risks in the loan portfolio. The allowance is based upon a continuing review of past loan loss experience, current economic conditions which may affect the borrowers' ability to pay and the underlying collateral value of the loans. Loans which are deemed to be uncollectible are charged off and deducted from the allowance. The provision for possible loan losses and recoveries on loans previously charged off are added to the allowance.

PREMISES AND EQUIPMENT - Premises and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed by the straight-line method. Rates of depreciation are generally based on the following estimated useful lives: buildings - 40 years; furniture and equipment - 5 to 10 years. The cost of assets sold or otherwise disposed of, and the related accumulated depreciation are eliminated from the accounts and the resulting gains or losses are reflected in the income statement. Maintenance and repairs are charged to current expense as incurred, and the costs of major renewals and improvements are capitalized.

OTHER REAL ESTATE OWNED - Other real estate owned includes real estate acquired through foreclosure and loans accounted for as in-substance foreclosures. Collateral is considered foreclosed in substance when the borrower has little or no equity in the fair value of the collateral, proceeds for repayment of the debt can be expected to come only from the sale of the collateral and it is doubtful that the borrower can rebuild equity or otherwise repay the loan in the foreseeable future. Other real estate owned is initially recorded at the lower of cost (principal balance of the former loan plus costs of improvements) or estimated fair value.

Any write-downs at the dates of acquisition are charged to the allowance for possible loan losses. Expenses to maintain such assets, subsequent write-downs and gains and losses on disposal are included in other expenses.

INCOME AND EXPENSE RECOGNITION - The accrual method of accounting is used for all significant categories of income and expense. Immaterial amounts of insurance commissions and other miscellaneous fees are reported when received.

INCOME TAXES - Income taxes are the sum of amounts currently payable to taxing authorities and the net changes in income taxes payable or refundable in future years. Income taxes deferred to future years are determined utilizing a liability approach. This method gives consideration to the future tax consequences associated with differences between the financial accounting and tax bases of certain assets and liabilities, principally the allowance for loan losses, depreciable premises and equipment, and the cash basis tax accounting.

RETIREMENT AND DEFERRED COMPENSATION PLANS - The Company has a trusteed non-contributory profit-sharing plan which provides retirement and other benefits to all full-time employees who have worked 1,000 or more hours during the calendar year and have put in one year of service. All eligible employees must be at least age 21. Contributions are determined annually by the Board of Directors. Expenses charged to earnings for the profit-sharing plan were $42,835, $31,656 and $21,341 in 1998, 1997 and 1996, respectively. The Company's policy is to fund contributions to the profit-sharing plan in the amount accrued. In addition, the plan includes a "salary reduction" feature pursuant to Section 401(k) of the Internal Revenue Code. Under the plan and present policies, participants are permitted to make discretionary contributions up to 10% of annual compensation. The Company has waived its option of matching employee contributions for this feature of the plan.

In addition, the Company has a non-qualified voluntary salary deferral plan for the Company's chief executive officer. Under the plan, the Chief Executive Officer may defer up to 25% of his compensation and earn interest on the deferred amount. Upon retirement, the total amount deferred and interest earned are to be paid to the participant over a period not exceeding fifteen years. Expenses charged to earnings for the deferred compensation plan were $13,625, $12,000 and $10,000 in 1998, 1997 and 1996, respectively.

The Company does not provide post employment benefits to employees beyond the plans described above.

EARNINGS PER SHARE - Earnings per share is calculated by dividing earnings by the weighted average number of common shares outstanding during the year.

STATEMENT OF CASH FLOWS - For purposes of reporting cash flows, the Company considers certain highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents include amounts due from banks, federal funds sold, and securities purchased under agreements to resell.

During 1998, 1997, and 1996, the Company paid $2,518,731, $2,070,543 and $1,914,642, respectively, for interest. Cash paid for income taxes was $588,800, $492,000 and $697,129 in 1998, 1997, and 1996, respectively.

Changes in the valuation account of securities available for sale, including the deferred tax effects, are considered non-cash transactions for purposes of the statement of cash flows and are presented in detail in the notes to the financial statements.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS - In the ordinary course of business, the Company has entered into off- balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. These financial instruments are recorded in the financial statements when they become payable by the customer.

CONCENTRATIONS OF CREDIT RISK - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of loans receivable, investment securities, federal funds sold and amounts due from banks. Management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions. Although the Company's loan portfolio is diversified, a substantial portion of its borrowers' ability to honor the terms of their loans is dependent on business and economic conditions in Colleton and Charleston Counties and surrounding areas. Management does not believe credit risk is associated with obligations of the United States, its agencies or its corporations. The Company places its deposits and correspondent accounts with and sells its federal funds to high credit quality institutions. By policy, time deposits are limited to amounts insured by the FDIC. Management believes credit risk associated with correspondent accounts is not significant.

RECLASSIFICATIONS - Certain captions and amounts in the consolidated financial statements of 1997 and 1996 were reclassified to conform with the 1998 presentations.

NOTE B - ADOPTION OF ACCOUNTING PRINCIPLE

As of January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income," which establishes standards for reporting comprehensive income. Comprehensive income includes net income and other comprehensive income which is defined as non-owner related transactions in equity. Prior periods have been reclassified to reflect the application of the provisions of SFAS 130. The following tables set forth the amounts of other comprehensive income included in equity along with the related tax effects for the years ended December 31, 1998, 1997 and 1996.

<TABLE>
<CAPTION>

<S>	<C> Pre-tax Amount	<C> (Expense) Benefit	<C> Net of tax Amount
FOR THE YEAR ENDED DECEMBER 31, 1998:			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	$ 1,146	$ 43	$ 1,189
Less: reclassification adjustment for gains realized in net income	-	-	-
Net unrealized gains (losses) on securities	1,146	43	1,189
Other comprehensive income	$ 1,146	$ 43	$ 1,189
FOR THE YEAR ENDED DECEMBER 31, 1997:			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	$ (559)	$ 190	$ (369)
Less: reclassification adjustment for gains realized in net income	-	-	-
Net unrealized gains (losses) on securities	(559)	190	(369)
Other comprehensive income	$ (559)	$ 190	$ (369)
FOR THE YEAR ENDED DECEMBER 31, 1996:			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	$ 67,555	$ (22,969)	$ 44,586
Less: reclassification adjustment for gains realized in net income	(225)	78	(147)
Net unrealized gains (losses) on securities	67,330	(22,891)	44,439
Other comprehensive income	$ 67,330	$ (22,891)	$ 44,439

</TABLE>

NOTE C - CASH AND DUE FROM BANKS

The Company is required by regulation to maintain an average cash reserve balance based on a percentage of deposits. The average amounts of the cash reserve balances at December 31, 1998 and 1997 were approximately $405,000 and $291,000, respectively. These requirements were satisfied by vault cash.

NOTE D - INVESTMENT SECURITIES

The amortized cost and estimated market values of securities available for sale at December 31, 1998 and 1997 were:
<TABLE>
<CAPTION>

1998

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasuries	$ 399,805	$ 4,508	$ -	$ 404,313
U.S. Government Agencies and corporations	8,861,587	28,726	10,863	8,879,450
Obligations of state and political subdivisions	1,422,855	38,721	1,288	1,460,288
	$ 10,684,247	$ 71,955	$ 12,151	$ 10,744,051

1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasuries	$ 699,450	$ 5,050	$ -	$ 704,500
U.S. Government Agencies and corporations	7,666,815	53,907	14,859	7,705,863
Obligations of state and political subdivisions	969,813	14,560	-	984,373
	$ 9,336,078	$ 73,517	$ 14,859	$ 9,394,736

</TABLE>

The amortized cost and estimated market value of securities held to maturity at December 31, 1998 and 1997 were:

<TABLE>
<CAPTION>

1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government Agencies and corporations	$ 802,121	$ 6,250	$ 95	$ 808,276
Obligations of state and political subdivisions	4,390,314	63,860	3,024	4,451,150
	$ 5,192,435	$ 70,110	$ 3,119	$ 5,259,426

1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government Agencies and corporations	$ 3,857,576	$ 9,441	$ 6,101	$ 3,860,916
Obligations of states and political subdivisions	2,443,742	38,838	464	2,482,116
	$ 6,301,318	$ 48,279	$ 6,565	$ 6,343,032

</TABLE>

NOTE D - INVESTMENT SECURITIES - CONTINUED

The amortized cost and estimated market value of securities available for sale at December 31, 1998 and 1997 based on their contractual maturities are summarized below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations without penalty.
<TABLE>
<CAPTION>

	1998		1997	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
Due within one year	$ 699,805	$ 704,312	$ 1,649,104	$ 1,641,841
Due after one year but within five years	5,871,472	5,896,458	3,838,154	3,866,167
Due after five years but within ten years	3,165,238	3,190,118	2,733,466	2,763,502
Due after ten years	530,000	537,475	230,000	234,072
	10,266,515	10,328,363	8,450,724	8,505,582
Mortgage-backed securities	417,732	415,688	885,354	889,154
	$ 10,684,247	$ 10,744,051	$ 9,336,078	9,394,736

</TABLE>

The amortized cost and estimated market values of securities held to maturity at December 31, 1998 and 1997 based on their contractual maturities are summarized below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations without penalty.
<TABLE>
<CAPTION>

	1998		1997	
<S>	<C>	<C>	<C>	<C>
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Due within one year	$ 635,118	$ 638,806	$ 679,900	$ 681,207
Due after one year but within five years	1,353,186	1,379,832	3,183,390	3,194,283
Due after five years but within ten years	1,451,702	1,474,645	898,088	913,030
Due after ten years	1,150,376	1,158,031	233,040	244,564
	4,590,382	4,651,314	4,994,418	5,033,084
Mortgage-backed securities	602,053	608,112	1,306,900	1,309,948
	$ 5,192,435	$ 5,259,426	$ 6,301,318	$ 6,343,032

</TABLE>

At December 31, 1998 and 1997, investment securities with a book value of $15,402,423 and $8,430,922 and a market value of $15,500,679 and $8,464,430, respectively, were pledged as collateral to secure public deposits. There were no sales of investment securities for the years ended December 31, 1998 and 1997. One security classified as available for sale was sold in 1996 with a realized gain of $225.

NOTE E - LOANS

Loans consisted of the following:

	December 31, 1998	December 31, 1997
Real estate	$ 7,813,792	$ 5,080,608
Agricultural	161,719	265,792
Commercial and industrial loans	34,733,571	28,463,885
Consumer	8,864,037	7,104,280
All other loans	306,535	442,549

$ 51,879,654	$ 41,357,114

COMMUNITYCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - LOANS - CONTINUED

The Company identifies impaired loans through its normal internal loan review process. Loans on the Company's problem loan watch list are considered potentially impaired loans. These loans are evaluated in determining whether all outstanding principal and interest are expected to be collected. Loans are not considered impaired if a minimal delay occurs and all amounts due including accrued interest at the contractual interest rate for the period of delay are expected to be collected. At December 31, 1998 and 1997, management reviewed its problem loan watch list and determined that no impairment on loans existed that would have a material effect on the Company's consolidated financial statements.

The accrual of interest is discontinued on impaired loans when management anticipates that a borrower may be unable to meet the obligations of the note. Accrued interest through the date the interest is discontinued is reversed. Subsequent interest earned is recognized only to the point that cash payments are received. All payments are applied to principal if the ultimate amount of principal is not expected to be collected.

As of December 31, 1998 and 1997, management had placed loans totaling $866,785 and $561,381 in nonaccrual status because the loans were not performing as originally contracted. Loans ninety days or more past due and still accruing interest were $4,956 and $5,133, at December 31, 1998 and 1997, respectively. No impairment has been recognized because management has determined that the discounted value of expected proceeds from the sale of collateral, typically real estate, exceeds the carrying amount of these loans.

Transactions in the allowance for loan losses are summarized below:

	1998	1997	1996
Balance, January 1	$ 743,260	$ 638,688	$ 617,457
Provision charged to expense	260,000	135,000	130,000
Recoveries	18,331	12,883	13,734
Charge-offs	(92,109)	(43,311)	(122,503)
Balance, December 31	$ 929,482	$ 743,260	$ 638,688

For income tax purposes, the allowance for loan losses is $95,590, $96,042 and $102,790 at December 31, 1998, 1997 and 1996, respectively.

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. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The contractual or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

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 written is represented by the contractual or notional 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.

Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

NOTE E - LOANS - 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. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counter-party.

Collateral held for commitments to extend credit and standby letters of credit varies but may include accounts receivable, inventory, property, plant, equipment and income-producing commercial properties.

The following table summarizes the Company's off-balance sheet financial instruments whose contractual amounts represent credit risk:

	December 31,	
	1998	1997
Commitments to extend credit	$ 3,910,501	$ 2,071,278
Standby letters of credit	220,813	163,000

Management is not aware of any significant concentrations of loans to classes of borrowers or industries that would be affected similarly by economic conditions. At December 31, 1998, the Company was not committed to lend additional funds to borrowers having loans in nonaccrual status.

NOTE F - PREMISES AND EQUIPMENT

Premises and equipment consisted of the following:

	December 31,	
	1998	1997
Land	$ 334,385	$ 334,385
Buildings and improvements	1,294,226	1,291,102
Furniture and equipment	1,066,164	985,830
	2,694,775	2,611,317
Less, accumulated depreciation	(789,014)	(612,262)
	$ 1,905,761	$ 1,999,055

NOTE G - DEPOSITS

At December 31, 1998, the scheduled maturities of time deposits are as follows:

1999	$35,957,722
2000	1,614,972
2001	526,617
2002	112,685

$38,211,996
===========

NOTE H - RELATED PARTY TRANSACTIONS

Certain parties (principally certain directors and shareholders of the Company, their immediate families and business interests) were loan customers of, and had other transactions in the normal course of business with the Bank. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectibility. The aggregate dollar amount of loans to related parties was $1,857,785 and $1,637,803 at December 31, 1998 and 1997, respectively. During 1998, $727,362 of new loans were made to related parties, and repayments totaled $507,380. Legal services were provided to the Company in the ordinary course of business by a law firm in which two of the partners are directors of the Company. The amount paid to this law firm for services rendered was $23,321 and $19,600 for the years ended December 31, 1998 and 1997, respectively.

NOTE I - SHORT TERM BORROWINGS

Short-term borrowings payable at December 31, 1998 and 1997 consist of securities sold under agreements to repurchase which generally mature on a one-day basis.

Information concerning securities sold under agreements to repurchase is summarized as follows:

	1998	1997
Average balance during the year	$ 413,549	$ 378,904
Average interest rate during the year	4.53%	4.68%
Maximum month-end balance during the year	$ 815,000	$ 760,000

Under the terms of the agreement, the Bank sells an interest in securities issued by United States Government Agencies; and the Bank agrees to repurchase the same securities the following business day. The securities sold under these agreements are the identical securities on the Bank's balance sheet captioned as securities purchased under agreements to resell. As of December 31, 1998, the par value and market value of the securities held by the third-party for the underlying agreements were $450,000 and $451,007, respectively.

NOTE J - UNUSED LINES OF CREDIT

As of December 31, 1998, the Bank had unused lines of credit to purchase federal funds from other financial institutions totaling $2,000,000. These lines of credit are available on a one to seven day basis for general corporate purposes. The lenders have reserved the right not to renew their respective lines.

NOTE K - COMMITMENTS AND CONTINGENCIES

The Company was not involved as defendant in any litigation at December 31, 1998. Management and legal counsel are not aware of any pending or threatened litigation, or unasserted claims or assessments that could result in losses, if any, that would be material to the financial statements.

NOTE L - SHAREHOLDERS' EQUITY

The ability of Communitycorp to pay cash dividends is dependent upon receiving cash in the form of dividends from Bank of Walterboro. However, certain restrictions exist regarding the ability of the Bank to transfer funds to Communitycorp in the form of cash dividends. All of the Bank's dividends to the Company are subject to the prior approval of the Commissioner of Banking and are payable only from the undivided profits of the Bank. At December 31, 1998, the Bank's undivided profits were $4,807,198.

COMMUNITYCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M - OTHER EXPENSES

Other expenses for the years ended December 31, 1998, 1997 and 1996 are summarized as follows:

	1998	1997	1996
Stationery, printing and postage	$ 132,883	$ 137,911	$ 97,692
Advertising and promotion	35,218	34,482	31,187
Professional services	80,588	68,727	80,567
Insurance	19,887	18,453	16,848
Other	249,371	195,916	163,803
	$ 517,947	$ 455,489	$ 390,097

NOTE N - INCOME TAXES

Income tax expense included in the statement of operations for the years ended December 31, 1998, 1997 and 1996 is summarized as follows:
<TABLE>
<CAPTION>

<S>	<C> 1998	<C> 1997	<C> 1996
Currently payable			
Federal	$ 567,418	$ 475,953	$ 349,119
State	56,962	48,418	23,262
	624,380	524,371	372,381
Deferred			
Federal	(108,409)	(48,419)	52,819
State	(15,859)	(8,193)	15,845
	(124,268)	(56,612)	68,664
	$ 500,112	$ 467,759	$ 441,045
Income tax expense is allocated as follows:			
To continuing operations	$ 500,155	$ 467,987	$ 417,554
To shareholders' equity	(43)	(228)	23,491
	$ 500,112	$ 467,759	$ 441,045

</TABLE>

Deferred income taxes of $299,046, $154,594, and $97,982 were included in other assets at December 31, 1998, 1997, and 1996, respectively. Deferred income taxes result from temporary differences in the recognition of certain items of income and expense for tax and financial reporting purposes.

The principal sources of these differences and the related deferred tax effects are as follows:
<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Allowance for loan losses	$ (71,869)	$ (42,858)	$ (1,907)
Accumulated depreciation	21,679	29,260	(6,300)
Cash basis tax accounting	(71,034)	(23,916)	27,301
Deferred compensation	(297)	(11,276)	(4,777)
Other	(2,704)	(7,594)	30,856
Total deferred tax (benefit) expense attributable to continuing operations	(19,513)	(56,384)	45,173
Deferred tax (benefit) expense attributable to shareholders equity	(43)	(228)	23,491
	$ (124,268)	$ (56,612)	$ 68,664

</TABLE>

COMMUNITYCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE N - INCOME TAXES - CONTINUED

The gross amounts of deferred tax assets and deferred tax liabilities as of December 31, 1998, 1997 and 1996 are as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Deferred tax assets:			
Allowance for loan losses	$ 321,048	$ 249,179	$ 206,321
Deferred compensation	27,752	27,455	16,179
Cash basis tax accounting	32,857	-	-
Other	3,582	1,455	-
Total deferred tax assets	385,239	278,089	222,500
Deferred tax liabilities:			
Accumulated depreciation	83,799	62,120	32,860
Cash basis tax accounting	-	38,177	62,093
Available for sale securities	20,184	20,227	20,455
Other	2,394	2,971	9,110
Total deferred tax liabilities	106,377	123,495	124,518
Net deferred tax assets	$ 278,862	$ 154,594	$ 97,982

</TABLE>

Deferred tax assets represent the future tax benefit of deductible differences and, if it is more likely than not that a tax asset will not be realized, a valuation allowance is required to reduce the recorded deferred tax assets to net realizable value. Management has determined that it is more likely than not that the entire deferred tax asset at December 31, 1998, 1997 and 1996 will be realized, and accordingly, has not established a valuation allowance.

A reconciliation between the income tax expense and the amount computed by applying the Federal statutory rate of 34% to income before income taxes follows:

<TABLE>
<CAPTION>

	1998	1997	1996

<S> <C> <C> <C>

Tax expense at statutory rate	$ 519,008	$ 480,203	$ 420,333
State income tax, net of Federal income tax effect	27,158	23,763	31,198
Tax exempt interest income	(68,074)	(55,575)	(53,214)
Disallowed interest expense	15,129	13,444	24,770
Other, net	6,934	6,152	(5,533)
	$ 500,155	$ 467,987	$ 417,554

</TABLE>

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. The following methods and assumptions were used to estimate the fair value of significant financial instruments:

CASH AND DUE FROM BANKS - The carrying amount is a reasonable estimate of fair value.

FEDERAL FUNDS SOLD AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL - Federal funds sold and securities purchased under agreements to resell are for a term of one day, and the carrying amount approximates the fair value.

INVESTMENT SECURITIES - The fair values of marketable securities held to maturity are based on quoted market prices or dealer quotes. For securities available for sale, fair value equals the carrying amount which is the quoted market price. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities.

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

LOANS - For certain categories of loans, such as variable rate loans which are repriced frequently and have no significant change in credit risk and credit card receivables, fair values are based on the carrying amounts. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to the borrowers with similar credit ratings and for the same remaining maturities.

DEPOSITS - The fair value of demand deposits, savings, and money market accounts is the amount payable on demand at the reporting date. The fair values of certificates of deposit are estimated using a discounted cash flow calculation that applies current interest rates to a schedule of aggregated expected maturities.

SHORT TERM BORROWINGS - The carrying value of securities sold under agreements to repurchase is a reasonable estimate of fair value because these instruments typically have terms of one day.

ACCRUED INTEREST RECEIVABLE AND PAYABLE - The carrying value of these instruments is a reasonable estimate of fair value.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS - The carrying amount for loan commitments and letters of credit, which are off-balance sheet financial instruments, approximates the fair value since the obligations are typically based on current market rates.

The carrying values and estimated fair values of the Company's financial instruments for the years ending December 31, 1998 and 1997 are as follows:

<TABLE>
<CAPTION>

	December 31, 1998		December 31, 1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
FINANCIAL ASSETS:				
Cash and due from banks	$ 3,864,460	$ 3,864,460	$ 2,602,260	$ 2,602,260
Federal funds sold and securities purchased under agreements to resell	15,610,000	15,610,000	3,130,000	3,130,000
Securities available-for-sale	10,744,051	10,744,051	9,394,736	9,394,736
Securities held-to-maturity	5,192,435	5,259,426	6,301,318	6,343,032
Loans	51,879,654	52,097,177	41,357,114	41,282,127
Allowance for loan losses	(929,482)	(929,482)	(743,260)	(743,260)
Accrued interest receivable	790,130	790,130	726,318	726,318
FINANCIAL LIABILITIES:				
Demand deposit, interest-bearing transaction, and savings accounts	$42,136,773	$42,136,773	$ 32,356,303	$ 32,356,303
Time deposits	38,211,996	38,370,663	24,586,785	24,680,193
Short-term borrowings	410,000	410,000	480,000	480,000
Accrued interest payable	498,256	498,256	342,661	342,661
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS:				
Commitments to extend credit	$ 3,910,501	$ 3,910,501	$ 2,071,278	$ 2,071,278
Standby letters of credit	220,813	220,813	163,000	163,000

</TABLE>

NOTE P - REGULATORY MATTERS

The Bank is 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 Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum ratios of Tier 1 and total capital as a percentage of assets and off-balance-sheet exposures, adjusted for risk weights ranging from 0% to 100%. Tier 1 capital consists of common shareholders' equity, excluding the unrealized gain or loss on securities available for sale, minus certain intangible assets. Tier 2 capital consists of the allowance for loan losses subject to certain limitations. Total regulatory minimum requirements are 4% for Tier 1 and 8% for total risk-based capital.

The Bank is also required to maintain capital at a minimum level based on average assets, which is known as the leverage ratio. Only the strongest banks are allowed to maintain capital at the minimum requirement of 3%. All others are subject to maintaining ratios 1% to 2% above the minimum.

As of December 31, 1998, the most recent notification from the Bank's primary regulator categorized the Bank as well-capitalized under the regulatory framework for prompt-corrective action. There are no conditions or events that management believes have changed the Bank's category.

The following table summarizes the capital amounts and ratios of the Bank and the regulatory minimum requirements at December 31, 1998 and 1997.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
DECEMBER 31, 1998						
Total capital (to risk weighted assets)	$ 8,783,513	14.75%	$4,765,481	8.00%	$5,956,852	10.00%
Tier 1 capital (to risk weighted assets)	8,038,907	13.50	2,382,741	4.00	3,574,111	6.00
Tier 1 capital (to average assets)	8,038,907	9.74	3,301,160	4.00	4,126,450	5.00
DECEMBER 31, 1997						
Total capital (to risk weighted assets)	$ 7,679,484	16.53%	$3,716,556	8.00%	$4,645,695	10.00%
Tier 1 capital (to risk weighted assets)	7,098,772	15.28	1,858,278	4.00	2,787,417	6.00
Tier 1 capital (to average assets)	7,098,772	11.23	2,528,920	4.00	3,161,150	5.00

The Federal Reserve Board has similar requirements for bank holding companies. The Company is currently not subject to these requirements because the Federal Reserve guidelines contain an exemption for bank holding companies with less than $150,000,000 in consolidated assets.

COMMUNITYCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE Q - COMMUNITYCORP (PARENT COMPANY ONLY)

Presented below are the condensed financial statements for Communitycorp (Parent Company Only).

BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
ASSETS		
Cash	$ 66,056	$ 60,677
Investment in banking subsidiary	8,078,527	7,137,203
Organizational costs	18,993	30,110
Other assets	6,002	5,570
Total assets	$8,169,578	$ 7,233,560
SHAREHOLDERS' EQUITY	$8,169,578	$ 7,233,560

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

INCOME	1998	1997	1996
Dividends from banking subsidiary	$ 93,000	$ 50,000	$ 175,000
EXPENSES			
Amortization of organizational costs	11,118	11,118	11,118
Other expenses	25	390	25
	11,143	11,508	11,143
INCOME BEFORE INCOME TAXES AND EQUITY IN UNDISTRIBUTED EARNINGS OF BANKING SUBSIDIARY	81,857	38,492	163,857
Income tax benefit	4,346	3,914	4,346
Equity in undistributed earnings of banking subsidiary	940,135	901,968	650,516
NET INCOME	$ 1,026,338	$ 944,374	$ 818,719

</TABLE>

COMMUNITYCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE Q - COMMUNITYCORP (PARENT COMPANY ONLY) - CONTINUED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

CASH FLOWS FROM OPERATING ACTIVITIES	1998	1997	1996
Net income	$ 1,026,338	$ 944,374	$ 818,719
Adjustments to reconcile net income to net cash provided by operating activities			
Amortization of organizational costs	11,118	11,118	11,118
Equity in undistributed earnings of banking subsidiary	(940,135)	(901,968)	(650,516)
Increase in other assets	(433)	(125)	(4,346)
Net cash provided by operating activities	96,888	53,399	174,975
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	(92,509)	(83,697)	(75,000)
Purchase of treasury stock	-	(10,000)	(18,411)
Sale of treasury stock	1,000	-	-
Net cash used by financing activities	(91,509)	(93,697)	(93,411)
INCREASE IN CASH	5,379	(40,298)	81,564
CASH, BEGINNING	60,677	100,975	19,411
CASH, ENDING	$ 66,056	$ 60,677	$ 100,975

</TABLE>

NOTE R - THE YEAR 2000

The Company has conducted a comprehensive review of its computer hardware and software systems to identify those systems that could be affected by the Year

2000 issue. The Year 2000 problem is the result of computer programs being written using two digits rather than four to represent the applicable year. Any of the Company's software systems that have date-sensitive routines or hardware that has imbedded chips with date-sensitive algorithms may recognize a date of "00" as the year 1900 rather than 2000. This could result in a major system failure or errors and miscalculations in processing information. The Company presently believes that, with modifications to existing hardware and software and replacing non-compliant systems with Year 2000 compliant systems, the Year 2000 problem will not pose significant operational problems for the Company's computer systems as so modified and converted. However, management cannot guarantee with any certainty the effect that the Year 2000 will ultimately have on the Company or its operations.

SIGNATURES

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

COMMUNITYCORP

<TABLE>
<CAPTION>

<S>	<C>
By:______________________________ W. Roger Crook President and Chief Executive Officer	Date: March 25, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

______________________________ W. Roger Crook, President, Director (Chief Executive Officer)	Date: March 25, 1999
_____________________________ Gwendolyn P. Bunton, Vice President (Chief Financial Officer)	Date: March 25, 1999
______________________________ Peden B. McLeod, Director & Chairman of the Board	Date: March 25, 1999
______________________________ George W. Cone, Director & Corporate Secretary	Date: March 25, 1999
______________________________ E. Ray Carmichael, Director	Date: March 25, 1999
______________________________ Opedalis Evans, Director	Date: March 25, 1999
______________________________ J. Barnwell Fishburne, Director	Date: March 25, 1999
______________________________ Harry L. Hill, Director	Date: March 25, 1999
______________________________ Calvert W. Huffines, Director	Date: March 25, 1999
______________________________ Robert E. Redfearn, Director	Date: March 25, 1999
______________________________ Harold M. Robertson, Director	Date: March 25, 1999

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