FIRST CHARTER CORP /NC/
Form 10-K
March 15, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2001 - Commission File Number 0-15829

FIRST CHARTER CORPORATION
(Exact name of registrant as specified in its charter)

NORTH CAROLINA	56-1355866
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
10200 DAVID TAYLOR DRIVE, CHARLOTTE, NC	28262-2373
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (704) 688-4300

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
N/A	N/A

Securities registered pursuant to Section 12(g) of the Act:
Common stock, no par value
Series X Junior Participating Preferred Stock Purchase Rights

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 6, 2002 was $519,898,621.

As of March 6, 2002 the Registrant had outstanding 30,798,734 shares of Common Stock, no par value.

DOCUMENTS INCORPORATED BY REFERENCE

PART III: Definitive Proxy Statement filed with the Securities and Exchange Commission pursuant to Regulation 14A promulgated pursuant to the Securities Exchange Act of 1934 in connection with the 2002 Annual Meeting of Shareholders (with the exception of those portions which are specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed

to be filed as part of this report).

FIRST CHARTER CORPORATION
AND SUBSIDIARIES

FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

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PART I

ITEM 1. BUSINESS

GENERAL

First Charter Corporation (hereinafter referred to as either the "Registrant" or the "Corporation") is a bank holding company established as a North Carolina Corporation in 1983 and is registered under the Bank Holding Company Act of 1956, as amended (the "BHCA"). Its principal asset is the stock of its subsidiary, First Charter Bank ("FCB" or the "Bank"). The Bank accounts for over 95 percent of the Registrant's consolidated assets and consolidated revenues. The principal executive offices of the Corporation are located at 10200 David Taylor Drive, Charlotte, North Carolina 28262. Its telephone number is (704) 688-4300.

FCB, a North Carolina state bank, is the successor entity to The Concord National Bank, which was established in 1888. On December 22, 1997, the Corporation acquired Carolina State Bank ("CSB") which was also merged into FCB. CSB was a state-chartered commercial bank with four banking offices in Cleveland and Rutherford Counties, North Carolina. On September 30, 1998, the Corporation acquired HFNC Financial Corp. ("HFNC"), which merged into the Corporation. HFNC was the unitary holding company of Home Federal Savings and Loan Association ("Home Federal"). Home Federal was based in Charlotte, North Carolina, and operated nine full service branch offices and a loan origination office in Mecklenburg County, North Carolina. These offices operated under the Home Federal name until its merger into FCB in March 1999. On April 4, 2000, the Corporation acquired Carolina First BancShares, Inc. ("Carolina First"), the holding company for Lincoln Bank, Cabarrus Bank and Community Bank & Trust, which merged into the Corporation. Carolina First, a North Carolina corporation, operated, though its subsidiary banks, 31 branch offices principally in the greater Charlotte, North Carolina area. On September 1, 2000, Business Insurers of Guilford County ("Business Insurers") was merged into First Charter Insurance Services. Each of these mergers was accounted for as a pooling of interests and accordingly, all financial information presented herein has been restated for all periods presented to reflect the mergers. On June 22, 2001, First Charter's banking subsidiary completed its conversion from a national bank to First Charter Bank, a North Carolina state bank. The change was completed after a cost benefit analysis of supervisory regulatory charges and does not represent any disagreement with the Corporation's or the Bank's former regulators. The Bank will continue to operate its financial center network franchise under the "First Charter" brand name.

FCB is a full service bank, which now operates 52 financial centers, five insurance offices and one mortgage origination office in addition to its main office, as well as 99 ATMs (automated teller machines). These facilities are located in Ashe, Alleghany, Avery, Buncombe, Cabarrus, Cleveland, Guilford, Iredell, Jackson, Lincoln, McDowell, Mecklenburg, Rowan, Rutherford, Swain, Transylvania and Union counties of North Carolina. Further, FCB recently opened one mortgage origination office in Virginia.

Through its financial center locations, the Bank provides a wide range of banking products, including interest bearing and non-interest bearing checking accounts; "Money Market Rate" accounts; certificates of deposit; individual retirement accounts; overdraft protection; commercial, consumer, agriculture, real estate, residential mortgage and home equity loans; personal and corporate trust services; safe deposit boxes; and automated banking. In addition, through First Charter Brokerage Services, a subsidiary of FCB, the Registrant offers full service and discount brokerage services, annuity sales and financial planning services pursuant to a third party arrangement with UVEST Investment Services. The Bank also operates six other subsidiaries: First Charter Insurance Services, Inc., First Charter of Virginia Realty Investments, Inc., First Charter Realty Investments, Inc., FCB Real Estate, Inc., First Charter Real Estate Holding, LLC., and First Charter Leasing, Inc. First Charter Insurance Services, Inc. is a North Carolina corporation formed to meet the insurance needs of businesses and individuals throughout the Charlotte metropolitan area. First Charter of Virginia Realty Investments, Inc. is a

Virginia corporation engaged in the mortgage origination business and also acts as a holding company for First Charter Realty Investments, Inc. a Delaware real estate investment trust. FCB Real Estate, Inc. is a North Carolina real estate investment trust and First Charter Real Estate Holdings, LLC is a North Carolina limited liability

company. First Charter Leasing, Inc. is a North Carolina corporation, which leases commercial equipment. The Bank also has a majority ownership in Lincoln Center at Mallard Creek, LLC. Lincoln Center is a three-story office building occupied in part by a branch of FCB.

At December 31, 2001, the Registrant and its subsidiaries had 833 full-time equivalent employees. The Registrant had no employees who were not also employees of FCB. The Registrant considers its relations with its employees to be good.

As part of its operations, the Registrant is not dependent upon a single customer or a few customers whose loss would have a material adverse effect on the Registrant.

As part of its operations, the Registrant regularly holds discussions and evaluates the potential acquisition of, or merger with, various financial institutions. In addition, the Registrant periodically enters new markets and engages in new activities in which it competes with established financial institutions. There can be no assurance as to the success of any such new office or activity. Furthermore, as the result of such expansions, the Registrant may from time to time incur start-up costs that could affect the financial results of the Registrant.

COMPETITION

The banking laws of North Carolina allow banks located in North Carolina to develop branches throughout the state. In addition, out-of-state institutions may open de novo branches in North Carolina as well as acquire or merge with institutions located in North Carolina. As a result of such laws, banking activities in North Carolina are highly competitive.

FCB's service delivery facilities are located in Ashe, Alleghany, Avery, Buncombe, Cabarrus, Cleveland, Guilford, Iredell, Jackson, Lincoln, McDowell, Mecklenburg, Rowan, Rutherford, Swain, Transylvania and Union counties of North Carolina. These locations also have numerous branches of money-center, super-regional, regional, and statewide institutions, some of which have a major presence in Charlotte. In its market area, the Registrant faces competition from other banks, savings and loan associations, savings banks, credit unions, finance companies and major retail stores that offer competing financial services. Many of these competitors have greater resources, broader geographic coverage and higher lending limits than the Bank. The Bank's primary method of competition is to provide quality service and fairly priced products.

GOVERNMENT SUPERVISION AND REGULATION

General. As a registered bank holding company, the Registrant is subject to the supervision of, and to regular inspection by, the Board of Governors of the Federal Reserve System (the "Federal Reserve"). First Charter is a North Carolina chartered banking corporation and a Federal Reserve member bank, with deposits insured by the Federal Deposit Insurance Corporation's

("FDIC") insurance funds: the Bank Insurance Fund ("BIF") and the Savings Association Insurance Fund ("SAIF"). FCB is subject to extensive regulation and examination by the office of the North Carolina Commissioner of Banks (the "NC Commissioner") under the direction and supervision of the North Carolina State Banking Commission (the "NC Banking Commission") and by the FDIC, which insures its deposits to the maximum extent permitted by law.

In addition to state and federal banking laws, regulations and regulatory agencies, the Corporation and FCB are subject to various other laws and regulations and supervision and examination by other regulatory agencies, all of which directly or indirectly affect the Corporation's operations, management and ability to make distributions. The following discussion summarizes certain aspects of those laws and regulations that affect the Corporation.

Restrictions on Bank Holding Companies. The Federal Reserve is authorized to adopt regulations affecting various aspects of bank holding companies. Under the BHCA, the Corporation's activities, and those of companies which it controls or in which it holds more than five percent of the voting stock, are

limited to banking or managing or controlling banks or furnishing services to or performing services for its subsidiaries, or any other activity which the Federal Reserve determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In making such determinations, the Federal Reserve is required to consider whether the performance of such activities by a bank holding company or its subsidiaries can reasonably be expected to produce benefits to the public such as greater convenience, increased competition or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

Generally, bank holding companies are required to obtain prior approval of the Federal Reserve to engage in any new activity not previously approved by the Federal Reserve or to acquire more than 5 percent of any class of voting stock of any company. The BHCA also requires bank holding companies to obtain the prior approval of the Federal Reserve before acquiring more than 5 percent of any class of voting stock of any bank which is not already majority-owned by the bank holding company.

The Corporation is also subject to the North Carolina Bank Holding Company Act of 1984. As required by this state legislation, the Corporation, by virtue of its ownership of FCB, has registered as a bank holding company with the Commissioner of Banks of the State of North Carolina. The North Carolina Bank Holding Company Act also prohibits the Corporation from acquiring or controlling certain non-bank banking institutions which have offices in North Carolina.

Interstate Banking and Branching Legislation. Pursuant to the Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking and Branching Act"), which became effective September 29, 1995, a bank holding company may now acquire banks in states other than its home state, without regard to the permissibility of such acquisition under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, prior to or following the proposed acquisition, controls no more than 10 percent of the total amount of

deposits of insured depository institutions in the United States and no more than 30 percent of such deposits in that state (or such lesser or greater amount set by state law).

The Interstate Banking and Branching Act also authorized banks to merge across state lines, thereby creating interstate branches beginning June 1, 1997. Under such legislation, each state had the opportunity either to "opt out" of this provision, thereby prohibiting interstate branching in such states, or to "opt in" at an earlier time, thereby allowing interstate branching within that state prior to June 1, 1997. The State of North Carolina elected to "opt in" to such legislation, effective June 22, 1995. Furthermore, pursuant to the Interstate Banking and Branching Act, a bank is now able to open new branches in a state in which it does not already have banking operations, if the laws of such state permit such de novo branching.

Gramm-Leach Bliley Financial Modernization Act of 1999. The Gramm-Leach-Bliley Financial Modernization Act of 1999 ("Modernization Act") allows bank holding companies meeting management, capital and Community Reinvestment Act standards to engage in a substantially broader range of traditionally nonbanking activities than was permissible before enactment, including insurance underwriting and making merchant banking investments in commercial and financial companies. It also allows insurers and other financial services companies to acquire banks; removes various restrictions that currently apply to bank holding company ownership of securities firms and mutual fund advisory companies; and establishes the overall regulatory structure applicable to bank holding companies that also engage in insurance and securities operations. The Corporation currently believes it meets the requirements for the broader range of activities that are permitted by the Modernization Act.

In addition, the Modernization Act also modifies current law related to financial privacy and community reinvestment. The new privacy provisions generally will prohibit financial institutions from disclosing nonpublic personal financial information to nonaffiliated third parties unless the customer has the opportunity to decline disclosure.

Regulation of FCB. FCB is organized as a North Carolina state chartered bank subject to regulation, supervision and examination by the Federal Reserve and NC Banking Commission, and to regulation by the FDIC. The federal and state laws and regulations are applicable to required reserves against deposits, allowable investments, loans, mergers, consolidations, issuance of securities, payment of dividends, establishment of branches, limitations on credit to subsidiaries and other aspects of the business of such subsidiaries. The federal and state banking agencies have broad authority and discretion in connection with their supervisory and enforcement activities and examination policies, including policies involving the classification of assets and the establishment of loan loss reserves for regulatory purposes. Such actions by the regulators prohibit member banks from engaging in unsafe or unsound banking practices. The Bank is also subject to certain reserve requirements established by the Federal Reserve Board and is a member of the Federal Home Loan Bank ("FHLB") of Atlanta, which is one of the 12 regional banks comprising the FHLB System.

CAPITAL AND OPERATIONAL REQUIREMENTS

The Federal Reserve and the FDIC issued substantially similar minimum capital adequacy standards of which both the Corporation and the Bank must

comply. The risk-based guidelines define a two-tier capital framework, under which the Corporation and the Bank are required to maintain a minimum ratio of Tier 1 Capital (as defined) to total risk-weighted assets of 4.00 percent and a minimum ratio of Total Capital (as defined) to risk weighted assets of 8.00 percent. Tier 1 Capital generally consists of total shareholders' equity calculated in accordance with generally accepted accounting principles less certain intangibles, and Total Capital generally consists of Tier 1 Capital plus certain adjustments, the largest of which for the Corporation and the Bank is the general allowance for loan losses (up to 1.25 percent of risk-weighted assets). Tier 1 Capital must comprise at least 50 percent of the Total Capital. Risk-weighted assets refer to the on- and off-balance sheet exposures of the Corporation and the Bank, as adjusted for one of four categories of applicable risk-weights established in Federal Reserve regulations, based primarily on relative credit risk. At December 31, 2001, the Corporation and the Bank were in compliance with the risk-based capital requirements.

The leverage ratio is determined by dividing Tier 1 Capital by total adjusted average assets. Although the stated minimum ratio is 3.00 percent, most banking organizations are required to maintain ratios of at least 100 to 200 basis points above 3.00 percent. Management believes that the Corporation and the Bank meet their leverage ratio requirement.

The Corporation's compliance with existing capital requirements is summarized in the table below:

			Risk-Based Capita		
	Leverage Capital		Tier 1 Capital		
(Dollars in thousands)	Amount	Percentage(1)	Amount	Percentage(2)	Amou
Actual	$284,107	8.80%	$284,107	12.80%	$310,
Required	129,096	4.00	88,773	4.00	177,
Excess	155,011	4.80	195,334	8.80	132,

(1) Percentage of total adjusted average assets. The Federal Reserve minimum leverage ratio requirement is 3.00 percent to 5.00 percent, depending on the institution's composite rating as determined by its regulators. The Federal Reserve Board has not advised the Corporation of any specific requirement applicable to it.

(2) Percentage of risk-weighted assets.

In addition to the above described capital requirements, the federal regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels whether because of its financial condition or actual or anticipated growth.

Prompt Corrective Action under FDICIA. The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), among other things, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically

undercapitalized) and requires the respective federal regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. In addition, pursuant to FDICIA, the various regulatory agencies have prescribed certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation, and such agencies may take action against a financial institution that does not meet the applicable standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the Total Risk-Based Capital, Tier 1 Risk-Based Capital and Leverage Capital Ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a "well capitalized" institution must have a Tier 1 Capital ratio of at least 6.00 percent, a Total Capital ratio of at least 10.00 percent and a Leverage ratio of at least 5.00 percent and not be subject to a capital directive order. An "adequately capitalized" institution must have a Tier 1 Capital ratio of at least 4.00 percent, a Total Capital ratio of at least 8.00 percent and a Leverage ratio of at least 4.00 percent, or 3.00 percent in some cases. Under these guidelines, FCB is considered well capitalized. See NOTE EIGHTEEN of the consolidated financial statements.

Banking agencies have also adopted regulations which mandate that regulators take into consideration (i) concentrations of credit risk, (ii) interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance sheet position) and (iii) risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. This evaluation is made as a part of the institution's regular safety and soundness examination. In addition, the banking agencies have amended their regulatory capital guidelines to incorporate a measure for market risk. In accordance with amended guidelines, a Corporation or Bank with significant trading activity (as defined) must incorporate a measure for market risk in its regulatory capital calculations. The revised guidelines do not materially impact the Corporation's or FCB's regulatory capital ratios or FCB's well-capitalized status.

Distributions. The primary source of funds for distributions paid by the Corporation to its shareholders is dividends received from FCB. Federal regulatory and other requirements, as well as laws and regulations of the State of North Carolina, restrict the lending of funds by FCB to the Corporation and the amount of dividends that FCB can pay to the Corporation. The Federal Reserve regulates the amount of FCB dividends payable to the Corporation based on undivided profits for the last two years, less dividends already paid. As of December 31, 2001, FCB had paid the full allowable amount of dividends to the Corporation. FCB obtains regulatory approval prior to payment of dividends to the Corporation. See NOTE NINETEEN of the consolidated financial statements.

In addition to the foregoing, the ability of the Corporation and FCB to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under FDICIA, as described above. Furthermore, if, in the opinion of a federal regulatory agency, a bank under its jurisdiction is engaged in or is about to engage in an

unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), such agency may require, after notice and hearing, that such bank cease and desist from such practice. The right of the Corporation, its shareholders and its creditors to participate in any distribution of assets or earnings of FCB is further subject to the prior claims of creditors against the Bank.

Deposit Insurance. The deposits of FCB are insured up to applicable limits by the FDIC. As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the FDIC. The FDIC also has the authority to initiate enforcement actions against banking institutions, after giving the institution's primary regulator an opportunity to take such action. In addition, the Bank is subject to deposit premium assessments by the

FDIC. As mandated by FDICIA, the FDIC has adopted regulations for a risk-based insurance assessment system. Under this system, the assessment rates for an insured depository institution vary according to the level of risk incurred in its activities. To arrive at a risk assessment for a banking institution, the FDIC places it in one of nine risk categories using a process based on capital ratios and on other relevant information from supervisory evaluations of the bank by the bank's primary federal regulator, the Federal Reserve, statistical analyses of financial statements and other relevant information.

The deposits of FCB are insured by the BIF, administered by the FDIC. Under the FDIC's risk-based insurance system, assessments currently can range from no assessment to an assessment of 27 basis points per $100 of insured deposits, with the exact assessment determined by the bank's capital and the applicable regulatory agency's opinion of the bank's operations. The range of deposit insurance assessment rates can change from time to time, in the discretion of the FDIC, subject to certain limits. Presently FCB is not required to pay any additional assessment to the FDIC. However, the FDIC has publicly stated that its Bank Insurance Fund will soon fall below its mandatory reserve limit and that such an event would likely trigger additional premiums for all banks. At this time, the amount of any future premiums required to be paid by FCB is not known.

Source of Strength. According to Federal Reserve policy, bank holding companies are expected to act as a source of financial strength to subsidiary banks and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support. Similarly, under the cross-guaranty provisions of the Federal Deposit Insurance Act, in the event of a loss suffered or anticipated by the FDIC, either as a result of default of a banking or thrift subsidiary of the Corporation or related to FDIC assistance provided to a subsidiary in danger of default, the other banking subsidiaries of the Registrant may be assessed for the FDIC's loss, subject to certain exceptions.

Future Legislation. Proposals to change the laws and regulations governing the banking industry are frequently introduced in Congress, in the state legislatures and before the various bank regulatory agencies. The likelihood and timing of any such proposals or bills being enacted and the impact they might have on the Corporation and FCB cannot be determined at this time.

OTHER CONSIDERATIONS

There are particular risks and uncertainties that are applicable to an investment in our common stock. Specifically, there are risks and uncertainties that bear on our future financial results that may cause our future earnings and financial condition to be less than our expectations. Some of the risks and uncertainties relate to economic conditions generally, and would affect other financial institutions in similar ways. These aspects are discussed under the heading "Factors that May Affect Future Results" in the accompanying "Management's Discussion and Analysis of Financial Condition and Results of Operations". This section addresses particular risks and uncertainties that are specific to our business.

ITEM 2. PROPERTIES

The principal offices of the Corporation are located in the 230,000 square foot First Charter Center located at 10200 David Taylor Drive in Charlotte, North Carolina, which is owned by the Bank through its subsidiaries. The First Charter Center contains the corporate offices of the Corporation, the main office of FCB, as well as the operations, mortgage loan and data processing departments of FCB.

The Corporation also leases a facility in Reston, Virginia for the origination of real estate loans, as well as a holding company for certain subsidiaries that own real estate and real estate-related assets, including first and second residential mortgage loans.

In addition to its main office, FCB has 52 financial centers, five insurance offices, one mortgage origination office and 99 ATMs located in 17 counties throughout North Carolina. Further, FCB recently opened one mortgage origination office in Virginia.

ITEM 3. LEGAL PROCEEDINGS

The Corporation and the Bank are defendants in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated operations, liquidity or financial position of the Corporation or the Bank.

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

There were no matters submitted to a vote of stockholders during the quarter ended December 31, 2001.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following list sets forth with respect to each of the current executive officers of the registrant his or her name, age, positions and offices held with the Registrant and the Banks, the period served in such positions or offices and, if such person has served in such position and office for less than five years, the prior employment of such person.

NAME	AGE	OFFICE AND POSITION	YEAR POSITION HELD
Lawrence M. Kimbrough	61	President and Chief Executive Officer of the Registrant and FCB	1986 - Present
Robert O. Bratton	53	Executive Vice President, Chief Financial Officer, Treasurer of the Registrant and Executive Vice President of FCB	1983 - Present
		Vice President Bank of Union	1996 - 1998
Robert E. James, Jr	51	Executive Vice President of the Registrant and Executive Vice President of FCB	1999 - Present
		Group Executive: Market Planning & Customer Development, Centura Bank	1996 - 1998
		Executive Vice President for Metro Markets, Centura Bank	1994 - 1998
C. Thomas McFarland	44	Executive Vice President of the Registrant and Executive Vice President of FCB	1999 - Present
		Executive Vice President and Alternative Delivery Systems Manager, BB&T	1996 - 1999
Stephen M. Rownd	43	Executive Vice President of the Registrant and Executive Vice President and Chief Credit Officer of FCB	2000 - Present
		Director of Risk Management, SunTrust Banks, Inc.	1999 - 2000
		Executive Vice President and Chief Credit Officer, SunTrust Bank of Gulf Coast	1996 - 1999

PART II

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

The principal market on which the Common Stock is traded is the Nasdaq National Market. The following table sets forth the high and low sales prices of the Common Stock for the periods indicated, as reported on the Nasdaq National Market:

Quarter	High	Low

2000	first	$14.6250	$12.5000
	second	17.5000	12.5000
	third	16.8750	13.6250
	fourth	15.7500	13.0000
2001	first	16.0000	13.4380
	second	18.7500	15.1250
	third	18.4500	15.4600
	fourth	18.4900	15.8500

As of March 6, 2002, there were 9,123 record holders of the Corporation's Common Stock. During 2000 and 2001, the Corporation paid dividends on the Common Stock on a quarterly basis. The following table sets forth dividends declared per share of Common Stock for the periods indicated:

	Quarter	Dividend
2000	first	$0.17
	second	0.17
	third	0.18
	fourth	0.18
2001	first	0.18
	second	0.18
	third	0.18
	fourth	0.18

For additional information regarding the Corporation's ability to pay dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources" on page 33.

ITEM 6. SELECTED FINANCIAL DATA

See TABLE ONE in Item 7 for Selected Financial Data.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements of the Corporation and the notes thereto, as restated to reflect the Corporation's various mergers.

The following discussion contains certain forward-looking statements about the Corporation's financial condition and results of operations, which are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's judgment only as of the date hereof. The Corporation undertakes no obligation to publicly revise these forward-looking statements to reflect events and circumstances that arise after the date

hereof.

Factors that may cause actual results to differ materially from those contemplated by such forward looking statements include, among others, the following possibilities: (1) projected business increases in connection with the implementation of our business plan are lower than expected; (2) competitive pressure among financial services companies increases significantly; (3) costs or difficulties related to the integration of acquisitions or expenses in general are greater than expected; (4) general economic conditions, in the markets in which the company does business, are less favorable than expected; (5) changes in the interest rate environment reduce interest margins and affect funding sources; (6) changes in market rates and prices may adversely affect the value of financial products; (7) any inability to generate liquidity necessary to meet loan demand or other cash needs; (8) any inability to accurately predict the adequacy of the loan loss allowance needs; (9) legislation or regulatory requirements or changes adversely affect the businesses in which the company is engaged; and (10) decisions to change the business mix of the company.

OVERVIEW

The Corporation is a bank holding company established as a North Carolina Corporation in 1983, with one wholly-owned banking subsidiary, FCB. The Corporation's principal executive offices are located in Charlotte, North Carolina. FCB is a full-service bank and trust company with 52 financial centers, five insurance offices and one mortgage origination office located in 17 counties throughout North Carolina. Further, FCB recently opened one mortgage origination office in Virginia.

Through its financial center locations, the Bank provides a wide range of banking products, including interest bearing and non-interest bearing checking accounts; "Money Market Rate" accounts; certificates of deposit; individual retirement accounts; overdraft protection; commercial, consumer, agriculture, real estate, residential mortgage and home equity loans; personal and corporate trust services; safe deposit boxes; and automated banking.

In addition, through First Charter Brokerage Services, a subsidiary of FCB, the Registrant offers full service and discount brokerage services, annuity sales and financial planning services pursuant to a third party arrangement with UVEST Investment Services. The Bank also operates six other subsidiaries: First Charter Insurance Services, Inc., First Charter of Virginia Realty Investments, Inc., First Charter Realty Investments, Inc., FCB Real Estate, Inc., First Charter Real Estate Holding, LLC., and First Charter Leasing, Inc. First Charter Insurance Services, Inc. is a North Carolina corporation formed to meet the insurance needs of businesses and individuals throughout the Charlotte metropolitan area. First Charter of Virginia Realty Investments, Inc. is a Virginia corporation organized as a holding company for First Charter Realty Investments, Inc. a real estate investment trust organized in Delaware, FCB Real Estate, Inc. a real estate investment trust organized in North Carolina and First Charter Real Estate Holdings, LLC. First Charter Leasing, Inc. is a North Carolina corporation, which leases commercial equipment. The Bank also has a majority ownership in Lincoln Center at Mallard Creek, LLC. Lincoln Center is a three-story office building occupied in part by a branch of FCB.

On June 22, 2001, First Charter's banking subsidiary completed its conversion from a national bank to First Charter Bank, a North Carolina state Bank. The change was completed after a cost benefit analysis

of supervisory regulatory charges and does not represent any disagreement with the Corporation's or the Bank's former regulators. The Bank will continue to operate its financial center network franchise under the "First Charter" brand name.

The Corporation's operations are divided into five operating segments: commercial banking, brokerage services, insurance services, mortgage and financial management. These segments are identified based on the Corporation's organizational structure and the Corporation's chief operating decision makers review separate results of operations of each of these operating segments. Of these segments, the results of operations of First Charter Bank (commercial banking) comprise the substantial majority of the consolidated net income, revenues and assets of the Corporation, as set forth in NOTE TWO of the consolidated financial statements. Accordingly, a substantial portion of the discussion contained herein relates to the results of operations of First Charter Bank.

MERGER AND ACQUISITIONS

Poolings-of-Interests. On September 1, 2000, Business Insurers was merged into First Charter Insurer Services. As a result of this merger, approximately 283,000 shares of the Corporation's common stock were issued.

On April 4, 2000, the Corporation completed its merger with Carolina First (the "Merger"). The shareholders of each company approved the Merger at separate meetings held on March 21, 2000. In accordance with the terms of the Merger Agreement, (i) each share of the $2.50 par value common stock of Carolina First (excluding shares held by Carolina First or the Corporation or their respective companies, in each case other than in a fiduciary capacity or as a result of debts previously contracted) was converted into 2.267 shares of the no par value common stock of the Corporation on April 4, 2000, resulting in the net issuance of approximately 13.3 million common shares to the former Carolina First shareholders.

During 1998, the Corporation acquired HFNC. HFNC was merged into the Corporation effective September 30, 1998.

During 1997, the Corporation acquired CSB, which was merged into FCB at that time. CSB financial centers now operate as FCB financial centers.

Each of these mergers was accounted for as a pooling of interests and, accordingly, all financial data for the periods prior to the respective dates of the mergers have been restated to combine the accounts of Union, CSB, HFNC, Carolina First, and Business Insurers with those of the Corporation.

Purchases. Insurance Agencies. Since 1999, the Corporation has acquired five insurance agencies using the purchase accounting method. The majority of the year over year increases we have experienced in insurance services income is due to the acquisition noted below. The five insurance agencies acquired since 1999 and the respective date of acquisition include: Franklin Brown Company (January 31, 1999), J. L. Suttle, Jr. and Co., Inc. (December 31, 1999), Faulkner Investments, Inc. (January 1, 2000), Banner and Greene Agency, Inc. (April 1, 2001), and Hoffman & Young, Inc. (July 31, 2001).

Financial Centers. On November 17, 2000, the Corporation purchased four financial centers with total loans of $9.4 million and total deposits of $88.3 million. The financial centers are located in Bryson City, Jefferson, West Jefferson and Sparta, North Carolina.

Each of these acquisitions was accounted for as a purchase.

Accordingly, the results of operations of these companies have been included in the consolidated results of operations of the Corporation since the date of the respective acquisition.

CRITICAL ACCOUNTING POLICIES

The Corporation's significant accounting policies are set forth in NOTE ONE of the consolidated financial statements. Of these policies, the Corporation considers its policy regarding the allowance for loan losses to be one of its most critical accounting policies, because it requires management's most subjective and complex judgments. The Corporation has developed appropriate policies and procedures for assessing the adequacy of the allowance for loan losses, recognizing that this process requires a number of assumptions and estimates with respect to its loan portfolio. The Corporation's assessments may be impacted in future periods by changes in economic conditions, the impact of regulatory examinations and the discovery of information with respect to borrowers which is not known to management at the time of the issuance of the consolidated financial statements. For additional discussion concerning the Corporation's allowance for loan losses and related matters, see ALLOWANCE FOR LOAN LOSSES.

In addition, the Corporation also considers its policy regarding equity method investees to be a critical accounting policy due to the assumptions in the valuation of these investments and other subjective factors. The Corporation's equity method investments represent investments in venture capital limited partnerships which invest in early stage companies.

The Corporation's recognition of earnings or losses from equity method investees is determined by the Corporation's share of the investee's earnings on a quarterly basis. The limited partnerships provide their quarterly financial information on a quarter lag basis, so the Corporation's policy is to record its share of earnings or losses on these equity method investments on a quarter lag basis.

These limited partnerships record their investments in investee companies on a fair value basis, with changes in the underlying fair values being reflected as an adjustment to their earnings in the period such changes are determined. The earnings of these limited partnerships, and therefore the amount recorded on an equity-method basis by the Corporation, are impacted significantly by changes in the underlying value of the companies in which these limited partnerships invest. All of the companies in which these limited partnerships invest are privately held, and their market values are not readily available. Estimations of these values are made quarterly by the management of the limited partnerships, and are subject to review by the Corporation for reasonableness. The assumptions in the valuation of these investments by the limited partnerships include the viability of the business model, the ability of the company to obtain alternative financing, their ability to generate revenues in future periods and other subjective factors. Given the inherent risks associated with this type of investment in the current economic environment, there can be no guarantee that there will not be widely varying gains or losses on these equity method investments in future periods.

RESULTS OF OPERATIONS

The Corporation's results of operations and financial position are described in the following sections.

Refer to TABLE ONE and TABLE FIVE for annual and quarterly selected financial data, respectively.

2001 VERSUS 2000

The following discussion and analysis provides a comparison of the Corporation's results of operations for the years ended December 31, 2001 and 2000. This discussion should be read in conjunction with the consolidated financial statements and related notes on pages 38 through 70.

Net income amounted to $35.3 million, or $1.12 diluted net income per share for the year ended December 31, 2001, compared to $24.8 million or $0.79 diluted net income per share for the year ended December 31, 2000, representing an increase of $10.5 million. The increase in net income was primarily due to restructuring charges and merger-related expense of $16.3 million pre-tax ($12.3 million, or $0.39 per diluted share after-tax) in 2000, primarily associated with the Carolina First merger, which occurred during the three months ended June 30, 2000. The increase in net income due to the restructuring charges and merger-related expenses was offset in 2001 by (i) a $2.4 million decrease in net interest income resulting from a compression of the net interest margin and decreasing loan demand during 2001 and (ii) increased expenses resulting primarily from an increase in occupancy and equipment expense resulting from the move into the new First Charter Center. Net income in 2001 and 2000 was also impacted certain other items, which are set fort in TABLE TWO. These other items are considered nonrecurring in nature by management and therefore should be considered in year over year analysis of results of operations.

Net income for the fourth quarter 2001 was $8.2 million, or $0.26 per diluted share, compared to $9.1 million, or $0.29 per diluted share in the fourth quarter 2000. The decrease in net income was primarily attributable to a $5.3 million increase in noninterest expense partially offset by a $3.4 million increase in noninterest income. The increase in noninterest expense was due to an increase in occupancy and equipment expense associated with the move into the First Charter Center, expenses related to the implementation of a new computer operating system and increased professional service costs. The increase in noninterest income was due to the active management of our securities portfolio, service charge income on deposit accounts, mortgage loan fees, trading gains, and the continued growth of First Charter Insurance Services. Net income was also impacted by the other items described in TABLE FIVE. These other items are considered nonrecurring in nature by management and therefore should be considered in year over year analysis of results of operations.

TABLE ONE
SELECTED FINANCIAL DATA

(Dollars in thousands,	YEARS ENDED DECEMBER 31

except per share amounts)	2001	2000	1999
INCOME STATEMENT			
Interest income	$ 215,276	$ 216,143	$ 194,271
Interest expense	109,912	108,314	90,299
Net interest income	105,364	107,829	103,972
Provision for loan losses	4,465	7,615	5,005
Noninterest income	38,773	30,666	28,795
Noninterest expense	87,579	92,727	75,991
Income before income taxes	52,093	38,153	51,771
Income taxes	16,768	13,312	16,480
Net income	$ 35,325	$ 24,841	$ 35,291
PER COMMON SHARE			
Basic net income	$ 1.12	$ 0.79	$ 1.12
Diluted net income	1.12	0.79	1.11
Cash dividends declared(1)	0.72	0.70	0.68
Period-end book value	10.06	9.79	9.33
Average shares outstanding - basic	31,480,109	31,435,342	31,504,746
Average shares outstanding - diluted	31,660,985	31,580,328	31,772,060
RATIOS			
Return on average shareholders' equity	11.03%	8.29%	12.08%
Return on average assets	1.14	0.90	1.37
Net interest margin	3.74	4.26	4.43
Average loans to average deposits	95.43	110.52	104.60
Average equity to average assets	10.31	10.84	11.31
Efficiency ratio(2)	60.97	64.09	56.85
Dividend payout	64.29	88.61	61.26
SELECTED PERIOD END BALANCES			
Securities available for sale	$ 1,077,365	$ 441,031	$ 486,905
Securities held to maturity	--	--	36,082
Loans, net	1,929,052	2,128,960	1,942,830
Allowance for loan losses	25,843	28,447	25,002
Total assets	3,332,737	2,932,199	2,679,728
Total deposits	2,162,945	1,998,234	1,816,491
Borrowings	808,512	570,024	542,021
Total liabilities	3,023,396	2,622,912	2,389,460
Total shareholders' equity	309,341	309,287	290,268
SELECTED AVERAGE BALANCES			
Loans, net	1,990,406	2,074,971	1,878,509
Earning assets	2,881,295	2,576,853	2,418,011
Total assets	3,104,952	2,763,920	2,583,803
Total deposits	2,085,669	1,877,426	1,795,921
Borrowings	652,298	556,859	447,633
Total shareholders' equity	320,215	299,745	292,183

The table above sets forth certain selected financial data concerning First Charter Corporation (the "Corporation") for the five years ended December 31, 2001. All financial data has been adjusted to reflect the acquisition of HFNC Financial Corp. in 1998, the acquisition of Business Insurers of Guilford County in 2000, and the acquisition of Carolina First BancShares, Inc. in 2000, each of which was accounted for as a pooling of interest.

(1) First Charter Corporation historical cash dividends declared.

(2) Noninterest expense divided by the sum of taxable equivalent net interest income plus noninterest income less gain on sale of securities.

The following table presents a schedule of other items included in net income for the years ended December 31, 2001, 2000, 1999, 1998 and 1997:

TABLE TWO
OTHER ITEMS

	YEARS ENDED DECEMBER 31		
(Dollars in thousands)	2001	2000	1999
SCHEDULE OF OTHER ITEMS INCLUDED IN EARNINGS			
Other items			
Noninterest income			
(Loss) gain on sale of loans	$ --	$ (99)	$ 1,757
Gain on sale of merchant card business	--	--	--
Fixed income portfolio restructuring (loss) gain	--	(3,913)	--
Equity investment write down	(144)	(1,601)	(66)
Equity method (loss) income	(442)	4,580	138
Gain on sale of property	416	2,788	1,752
Noninterest expense			
Charitable trust	--	(1,000)	--
Restructuring charges and merger-related	--	(16,250)	--
Total other items	$(170)	$(15,495)	$ 3,581
Other items, net of tax	$(116)	$(11,770)	$ 2,328

NET INTEREST INCOME

An analysis of the Corporation's net interest income on a taxable-equivalent basis and average balance sheet for the last three years is presented in TABLE THREE. The changes in net interest income from year to year are analyzed in TABLE FOUR.

Net interest income, the difference between total interest income and total interest expense, is the Corporation's principal source of earnings. For the year ended December 31, 2001, net interest income amounted to $105.4 million, a decrease of approximately 2.3 percent from net interest income of $107.8 million in 2000. The decrease was the result of the declining interest rate environment resulting from the slowing economy which has had a negative impact on the net interest margin as variable rate assets reprice faster than variable rate liabilities. Reduced loan demand, several large loan payoffs and our increased selectivity in seeking new opportunities in this economic

environment have also had a negative impact on the net interest margin.

Average interest earning assets increased approximately $304.4 million to $2.88 billion for the year ended December 31, 2001, compared to $2.58 billion for the same 2000 period. This increase is primarily due to a $229.0 million increase in the Corporation's average securities available for sale portfolio for the year ended December 31, 2001, excluding the impact of the securitization of $167.0 million of mortgage loans during the first quarter of 2001. The increase in average securities available for sale was primarily due to net purchases of approximately $469.3 million in securities available for sale during the year ended December 31, 2001. Average interest earning assets also increased due to the purchase of four financial centers in November 2000, as well as growth in the Corporation's average loan portfolio, which increased $68.2 million for the year ended December 31, 2001, excluding the impact of the securitization of $167.0 million of mortgage loans during the first quarter of 2001. The decrease in average yield on interest earning assets to 7.54 percent in 2001, compared to 8.46 percent in 2000, resulted principally from the decrease in the average prime rate during 2001 to 6.93 percent, from 9.23 percent in 2000. The decrease in the average prime rate is attributable to the Federal Reserve's 475 basis point decrease in the Fed Funds rate during 2001. The average yield earned on loans was 8.01 percent in 2001, compared to 8.89 percent in 2000.

In addition to the increase in average interest earning assets, the Corporation experienced an increase in average interest-bearing liabilities of $295.8 million to $2.49 billion during 2001 due to the use of Federal Home Loan Bank ("FHLB") advances to fund securities purchases and increases in deposits. The average rate paid on interest bearing liabilities decreased to 4.42 percent in 2001, compared to 4.94 percent in 2000, primarily due to a decline in the average rate of borrowings. The average rate paid on

interest-bearing deposits was 4.27 percent in 2001, down from 4.61 percent in 2000. Similarly, the rate paid on other borrowed funds decreased to 4.85 percent in 2001, compared to 5.94 percent in 2000.

The net interest margin (tax adjusted net interest income divided by average interest-earning assets) decreased 54 basis points to 3.72 percent in 2001, compared to 4.26 percent in 2000. The decrease reflects the impact of the declining interest rate environment in 2001, which had a negative impact on the net interest margin as assets repriced faster than liabilities. The addition of lower yielding securities, higher levels of borrowings and competitive forces related to loan and deposit pricing also had a negative impact on the net interest margin. See "Asset-Liability Management and Interest Rate Sensitivity" for additional discussion on the Corporation's management of rate sensitive assets and liabilities.

The following table includes for the years ended December 31, 2001, 2000 and 1999 interest income on interest earning assets and related average yields, as well as interest expense on interest bearing liabilities and related average rates paid. In addition, the table includes the net yield on average earning assets. Average balances were calculated based on daily averages.

TABLE THREE
AVERAGE BALANCES AND NET INTEREST INCOME ANALYSIS

(Dollars in thousands)	2001 AVERAGE BALANCE	2001 INTEREST INCOME/ EXPENSE	2001 AVERAGE YIELD/RATE PAID	2000 Average Balance	2000 Interest Income/ Expense	2000 Average Yield/Rat Paid
INTEREST EARNING ASSETS:						
Loans(1)(2)(3)	$1,990,406	$159,430	8.01%	$2,074,971	$184,388	8.89%
Securities - taxable	788,928	51,647	6.55	400,306	27,274	6.81
Securities - nontaxable	88,448	5,629	6.36	93,226	5,885	6.31
Federal funds sold	1,971	75	6.78	3,997	250	6.26
Interest bearing bank deposits	11,542	399	3.46	4,353	224	5.15
Total earning assets(4)	2,881,295	217,180	7.54	2,576,853	218,021	8.46
Cash and due from banks	67,600			67,836		
Other assets	156,057			119,231		
TOTAL ASSETS	$3,104,952			$2,763,920		
INTEREST BEARING LIABILITIES:						
Demand deposits	$ 515,531	$ 10,129	1.96%	$ 485,230	$ 12,454	2.57%
Savings deposits	115,787	2,004	1.73	149,812	3,765	2.51
Other time deposits	1,203,000	66,119	5.50	998,866	59,044	5.91
Other borrowings	652,298	31,660	4.85	556,859	33,051	5.94
TOTAL INTEREST BEARING LIABILITIES	2,486,616	109,912	4.42	2,190,767	108,314	4.94
Noninterest bearing sources:						
Noninterest bearing deposits	251,352			243,517		
Other liabilities	46,769			29,891		
Shareholders' equity	320,215			299,745		
Total liabilities and shareholders' equity	$3,104,952			$2,763,920		
Net interest spread			3.12			3.52
Impact of noninterest bearing sources			0.60			0.74
NET INTEREST INCOME/ YIELD ON EARNINGS ASSETS		$107,268	3.72%		$109,707	4.26%

(1) The preceding analysis takes into consideration the principal amount of nonaccruing loans and only income actually collected on such loans.

(2) Average loan balances are shown net of unearned income.

(3) Includes amortization of deferred loan fees of approximately $3,807, $3,501 and $3,875, for 2001, 2000 and 1999, respectively.

(4) Yields on nontaxable securities and loans are stated on a taxable-equivalent basis, assuming a Federal tax rate of 35 percent, applicable state taxes and TEFRA disallowances for 2001, 2000 and 1999. The adjustments made to convert to a taxable-equivalent basis

were $1,904, $1,878 and $1,811 for 2001, 2000 and 1999, respectively.

TABLE FOUR
VOLUME AND RATE VARIANCE ANALYSIS

	FROM DEC. 31, 2000 TO DEC. 31, 2001 INCREASE (DECREASE) IN NET INTEREST INCOME DUE TO CHANGE IN(1)				From Dec Increase (D	
(Dollars in thousands)	2000 INCOME/ EXPENSE	RATE	VOLUME	2001 INCOME/ EXPENSE	1999 Income/ Expense	
INTEREST INCOME:						
Loans	$184,388	$(17,814)	$ (7,144)	$159,430	$162,726	$
Securities - taxable	27,274	(1,587)	25,960	51,647	26,053	
Securities - nontaxable	5,885	47	(303)	5,629	6,488	
Federal funds sold	250	(73)	(102)	75	501	
Interest bearing bank deposits	224	(134)	309	399	314	
TOTAL INTEREST INCOME	$218,021	$(19,561)	$ 18,720	$217,180	$196,082	$
INTEREST EXPENSE:						
Demand deposits	$ 12,454	$ (3,012)	$ 687	$ 10,129	$ 12,100	$
Savings deposits	3,765	(1,039)	(722)	2,004	5,945	
Other time deposits	59,044	(4,568)	11,643	66,119	48,055	
Other borrowings	33,051	(6,539)	5,148	31,660	24,199	
TOTAL INTEREST EXPENSE	108,314	(15,158)	16,756	109,912	90,299	
NET INTEREST INCOME	$109,707	$ (4,403)	$ 1,964	$107,268	$105,783	$

(1) The changes for each category of income and expense are divided between the portion of change attributable to the variance in rate or volume for that category. The amount of change that cannot be separated is allocated to each variance proportionately.

PROVISION FOR LOAN LOSSES

The provision for loan losses in 2001 amounted to $4.5 million compared to the provision for loan losses of $7.6 million in 2000. The decrease in the provision for loan losses was due to lower loan volume in 2001 and a significant increase in nonaccrual loans in 2000, which did not recur in 2001. Partially offsetting these factors in 2001 was the effect of higher net charge-offs. As adjusted to remove the effects of the February 2001 loan securitization and the sale of $45.3 million in lower-yielding loans in May 2000, gross loans increased $9.7 million during the year ended December 31, 2001 as compared to an increase of $234.9 million during the year ended December 31, 2000. See "Allowance for Loan Losses" for additional discussion of trends within the allowance for loan losses in current year and for a discussion of the Corporation's management of credit risk related to the loan

portfolio.

Net charge-offs for 2001 were $6.7 million or 0.33 percent of average loans compared to $4.1 million or 0.20 percent of average loans in 2000. The year-to-date increase in net loan charge-offs was attributable to $2.5 million of charge-offs associated with two large commercial relationships which were written down during the fourth quarter of 2001. These charge-offs are not considered to be necessarily indicative of an overall deterioration in the quality of the remaining portfolio. Without these two charge-offs, the ratio of net charge-offs to average loans would have been 0.21 percent of average loans for 2001 versus 0.20 percent for 2000. The provision for loan losses was less than the amount of net charge-offs for 2001 because the commercial loans noted above had been identified as impaired during 2000 and specific reserves were allocated at that time.

NONINTEREST INCOME

Noninterest income increased $8.1 million to $38.8 million for the year ended December 31, 2001, compared to $30.7 million for the same period in 2000. This increase was driven primarily by a 23.8 percent increase in service charge income on deposit accounts for the year ended December 31, 2001 compared to the same 2000 period, which was due to the implementation of revenue enhancing projects as well as re-pricing opportunities resulting from the acquisition of Carolina First. In addition, the declining rate environment has increased mortgage origination volume. This has resulted in additional loan sales to the secondary market and correspondingly greater fee income. Active management of our securities portfolio resulted in the recognition of $2.4 million in gains on security sales during 2001, compared to losses of $4.3 million during 2000. Of the $4.3 million loss in 2000, $3.9 million was attributed to a restructuring of the Corporation's bond portfolio as a result of rising interest rates at the time of the sales. Continued growth of First Charter Insurance Services, higher brokerage revenue and trading gains also increased noninterest income.

Premiums earned on written covered call options on fixed income securities accounts for a majority of our trading gains. At December 31, 2001, the Corporation did not have any written covered call options outstanding. It is generally the Corporation's policy to structure these option contracts so that there are none outstanding at the end of a reporting period.

See NOTE SIXTEEN of the consolidated financial statements for a discussion of certain related party transactions which impacted deposit service charges in the fourth quarter of 2001.

Noninterest income was also impacted in both periods by income and losses from equity method investees. During 2001 the Corporation recorded losses on equity method investees of $0.4 million, compared to gains of $4.6 million in 2000. The Corporation's equity method investments represent investments in venture capital limited partnerships which invest in early stage companies. The Corporation's recognition of earnings or losses from equity method investees represents the Corporation's share of the limited partnership's earnings on a quarterly basis.

These limited partnerships record their investments in investee companies on a fair value basis, with changes in the underlying fair values being reflected as an adjustment to their earnings in the period such changes are determined. The earnings of these limited partnerships, and therefore the

amount recorded on an equity-method basis by the Corporation, are impacted significantly by changes in the underlying value of the companies in which these partnerships invest. All of the companies in which these limited partnerships invest are privately held, and their market values are not readily available. Estimations of these values are made quarterly by the management of the limited partnerships. The assumptions in the valuation of these investments by the limited partnerships include the viability of the investee's business model, the ability of the company to obtain alternative financing, the company's ability to generate revenues in future periods, and other subjective factors.

The limited partnerships provide their quarterly financial information on a quarter lag basis, so the Corporation has a policy of recording their share of these earnings or losses also on a quarter lag basis. During the first quarter of 2002, the Corporation was notified by the management of one of the limited partnerships that they were in the process of revaluing one of their investments and that they expected that the value would decrease for the limited partnership's fourth quarter 2001 valuation. As a result, the Corporation expects to record losses on equity method investments in the first quarter of 2002. Based on preliminary estimates by the management of the limited partnership, the Corporation believes its share of the loss on this equity method investment could be between $3.0 million and $4.0 million. These losses would represent elimination of a portion of previously recorded unrealized gains on this investee company, and would not represent a loss of the original principal invested in this company. Nevertheless, given the inherent risks associated with this type of investment in the current economic environment, there can be no guarantee that there will not be additional losses on these equity method investments in future periods.

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NONINTEREST EXPENSE

Noninterest expense decreased $5.1 million to $87.6 million for the year ended December 31, 2001 from $92.7 million in the comparable 2000 period. The decrease was attributable to the restructuring charges and merger-related expenses of $16.3 million during the quarter ended June 30, 2000, primarily associated with the acquisition of Carolina First. This decrease was partially offset during 2001 by the additional operating costs associated with the four financial centers acquired during the fourth quarter of 2000, an increase in occupancy and equipment expense as a result of the move into the new First Charter Center and investments in people and technology to position the Corporation for growth.

INCOME TAX EXPENSE

Total income tax expense amounted to $16.8 million for the year ended December 31, 2001 and $13.3 million for the same comparable 2000 period. The increase in the income tax expense was attributable to an increase in taxable income. The increase in income tax expense, however, was not proportionate with the decrease in net income because portions of the merger and acquisition costs in 2000 were not deductible. This created a decrease in the effective tax rate to 32.2 percent in 2001 from 34.9 percent in 2000.

In the normal course of business, the Corporation evaluates and implements tax-planning strategies. As a result of these strategies, management anticipates our effective tax rate to decrease to approximately 27 percent to 28 percent in 2002.

TABLE FIVE
SELECTED QUARTERLY FINANCIAL DATA

(Dollars in thousands, except per share amounts)	2001 QUARTERS FOURTH	THIRD	SECOND	FIRST
INCOME STATEMENT				
Total interest income	$ 51,166	$ 54,649	$ 55,391	$ 54,0
Total interest expense	24,352	27,826	29,043	28,6
Net interest income	26,814	26,823	26,348	25,3
Provision for loan losses	1,200	1,325	1,190	7
Total noninterest income	11,183	10,356	8,814	8,4
Total noninterest expense	24,766	21,892	20,878	20,0
Net income (loss) before income taxes	12,031	13,962	13,094	13,0
Income taxes	3,881	4,502	4,223	4,1
Net income (loss)	$ 8,150	$ 9,460	$ 8,871	$ 8,8
PER SHARE DATA:				
Basic income (loss)	$ 0.26	$ 0.30	$ 0.28	$ 0.
Diluted income (loss)	0.26	0.30	0.28	0.
Cash dividends declared(1)	0.18	0.18	0.18	0.
Period-end book value	10.06	10.49	10.22	10.
Average shares outstanding - basic	31,197,190	31,545,721	31,719,241	31,696,7
Average shares outstanding - diluted	31,364,373	31,314,550	31,906,705	31,833,5
RATIOS				
Return on average shareholders' equity(2)	9.88%	11.72%	11.12%	11.
Return on average assets(2)	1.00	1.18	1.15	1.
Net interest margin(2)	3.62	3.68	3.73	3.
Average loans to average deposits	91.15	92.38	95.50	103.
Average equity to average assets	10.08	10.06	10.33	10.
Efficiency ratio(3)	66.16	59.45	59.05	58.
SELECTED PERIOD END BALANCES				
Securities available for sale	$ 1,077,365	$ 1,134,374	$ 939,993	$ 876,4
Securities held to maturity	--	--	--	
Loans, net	1,929,052	1,958,949	1,941,616	1,958,4
Allowance for loan losses	25,843	28,221	28,049	28,0
Total assets	3,332,737	3,348,870	3,138,989	3,081,2
Total deposits	2,162,945	2,163,799	2,119,027	2,012,0
Borrowings	808,512	806,141	643,483	696,1
Total liabilities	3,023,396	3,021,297	2,814,885	2,762,2
Total shareholders' equity	309,341	327,573	324,104	318,9

SELECTED AVERAGE BALANCES				
Loans, net	1,977,638	1,973,373	1,968,304	2,043,2
Earning assets	3,005,225	2,957,440	2,881,629	2,676,4
Total assets	3,246,863	3,184,788	3,098,598	2,884,7
Total deposits	2,169,743	2,136,217	2,060,997	1,973,0
Borrowings	46,070	45,832	47,385	47,8
Total shareholders' equity	327,410	320,242	319,968	313,0
SCHEDULE OF OTHER ITEMS INCLUDED IN EARNINGS				
Noninterest income				
(Loss) gain on sale of loans	$-	$-	$ --	$
Fixed income portfolio restructuring loss	--	--	--	
Equity investment write down	--	--	--	(1
Equity method (loss) income	(524)	73	(102)	1
Gain on sale of properties	287	129	--	
Noninterest expense				
Charitable trust	--	--	--	
Merger and restructuring charges	--	--	--	
Total other items	(237)	202	(102)	(
Other items, net of tax	$ (161)	$ 137	$ (69)	$ (

(Dollars in thousands, except per share amounts)	2000 Quarters			
	Fourth	Third	Second	Firs
INCOME STATEMENT				
Total interest income	$ 56,524	$ 54,739	$ 53,242	$ 51
Total interest expense	29,451	28,065	26,199	24
Net interest income	27,073	26,674	27,043	27
Provision for loan losses	2,075	2,200	1,370	1
Total noninterest income	7,791	7,686	7,914	7
Total noninterest expense	19,469	17,757	35,670	19
Net income (loss) before income taxes	13,320	14,403	(2,083)	12
Income taxes	4,223	4,464	681	3
Net income (loss)	$ 9,097	$ 9,939	$ (2,764)	$ 8
PER SHARE DATA:				
Basic income (loss)	$ 0.29	$ 0.32	$ (0.09)	$
Diluted income (loss)	0.29	0.31	(0.09)	
Cash dividends declared(1)	0.18	0.18	0.17	
Period-end book value	9.79	9.49	9.19	
Average shares outstanding - basic	31,588,105	31,503,251	31,402,488	31,245
Average shares outstanding - diluted	31,688,490	31,646,483	31,584,528	31,399

RATIOS				
Return on average shareholders' equity(2)	11.87%	13.31%	(3.67)%	1
Return on average assets(2)	1.28	1.43	(0.40)	
Net interest margin(2)	4.17	4.19	4.30	
Average loans to average deposits	108.89	112.18	111.69	10
Average equity to average assets	10.78	10.72	10.93	1
Efficiency ratio(3)	53.16	46.41	101.37	5
SELECTED PERIOD END BALANCES				
Securities available for sale	$ 441,031	$ 474,077	$ 500,310	$ 476
Securities held to maturity	--	--	--	35
Loans, net	2,128,960	2,083,283	2,062,674	2,025
Allowance for loan losses	28,447	27,861	26,700	25
Total assets	2,932,199	2,787,955	2,788,426	2,754
Total deposits	1,998,234	1,922,440	1,870,958	1,856
Borrowings	570,024	519,762	584,144	567
Total liabilities	2,622,912	2,488,905	2,499,711	2,456
Total shareholders' equity	309,287	299,050	288,715	297
SELECTED AVERAGE BALANCES				
Loans, net	2,133,452	2,099,690	2,068,958	1,997
Earning assets	2,628,331	2,578,372	2,582,473	2,519
Total assets	2,826,068	2,771,990	2,775,567	2,687
Total deposits	1,959,300	1,871,704	1,852,470	1,821
Borrowings	522,346	563,377	589,354	552
Total shareholders' equity	304,770	297,122	303,546	294

SCHEDULE OF OTHER ITEMS INCLUDED IN EARNINGS				
Noninterest income				
(Loss) gain on sale of loans	$ --	$ --	$ (99)	$
Fixed income portfolio restructuring loss	(1,059)	(2,854)	--	
Equity investment write down	(231)	(571)	(299)	
Equity method (loss) income	28	4,106	446	
Gain on sale of properties	2,261	527	--	
Noninterest expense				
Charitable trust	(1,000)	--	--	
Merger and restructuring charges	--	--	(16,250)	
Total other items	(1)	1,208	(16,202)	
Other items, net of tax	$ --	$ 825	$ (12,253)	$

(1) First Charter Corporation historical cash dividends declared.

(2) Annualized

(3) Noninterest expense divided by the sum of taxable equivalent net interest income plus noninterest income less gain on sale of securities.

2000 VERSUS 1999

The following discussion and analysis provides a comparison of the Corporation's results of operations for the years ended December 31, 2000 and 1999. This discussion should be read in conjunction with the consolidated financial statements and related notes on pages 38 through 70.

OVERVIEW

Net income amounted to $24.8 million, or $0.79 diluted net income per share for the year ended December 31, 2000, compared to $35.3 million or $1.11 diluted net income per share for the year ended December 31, 1999, representing a decrease of $10.5 million. This decrease was primarily attributable to the differences in the items described below, which management considers as nonrecurring in nature and therefore should be considered in year over year analysis of operations. Net income for the year ended December 31, 2000 included the following items: (i) $16.3 million pre-tax ($12.3 million after-tax) merger and restructuring charge primarily associated with the merger of Carolina First; (ii) $4.6 million pre-tax earnings ($3.2 million after-tax) from equity method income on certain investments due to unrealized gains in underlying equity investments during the period; (iii) $2.8 million pre-tax ($1.9 million after-tax) gain on sale of property related to the sale of four duplicate branch facilities and one office building; (iv) $3.9 million pre-tax ($2.7 million after-tax) loss associated with the restructuring of the available-for-sale securities portfolio; (v) $1.6 million pre-tax ($1.1 million after-tax) loss associated with the write down of certain equity securities due to other-than-temporary impairment in value; (vi) $0.1 million pre-tax ($0.1 million after-tax) loss associated with the sale of mortgage loans; and (vii) $1.0 million pre-tax ($0.7 million after-tax) charitable trust contribution. Net income for the year ended December 31, 1999 includes the following items: (i) $1.8 million pre-tax ($1.1 million after-tax) gain associated with the sale of mortgage loans; (ii) $0.1 million pre-tax earnings ($0.1 million after-tax) from equity method income on certain investments due to unrealized gains in underlying equity investments during the period; (iii) $1.8 million pre-tax ($1.1 million after-tax) gain associated with the sale of property; and (iv) $66,000 pre-tax ($43,000 after-tax) loss associated with the write down of certain equity securities due to other-than-temporary impairment in value. Refer to TABLE TWO for detail of other items included in earnings.

NET INTEREST INCOME

For the year ended December 31, 2000, net interest income was $107.9 million, an increase of 3.8 percent from net interest income of $104.0 million in 1999. The increase is attributable to an increase in average interest earning assets of $158.8 million from $2.4 billion during 1999 to $2.6 billion during 2000. The net interest margin (tax adjusted net interest income divided by average interest earning assets) decreased to 4.26 percent in 2000 from 4.37 percent in 1999.

The average yield on interest-earning assets was 8.46 percent in 2000 compared to 8.11 percent in 1999. The average rate paid on interest-bearing liabilities was 4.94 percent in 2000, compared to 4.47 percent in 1999. The average yield earned on loans was 8.89 percent in 2000, compared to 8.66 percent in 1999. The average rate paid on interest-bearing deposits was 4.61 percent in 2000, from 4.20 percent in 1999. The increases in the average yields and average rates for 2000 compared to 1999, resulted from the increase in the average prime rate during 2000, from 8.02 percent in 1999 to 9.23 percent in 2000.

PROVISION FOR LOAN LOSSES

The provision for loan losses for 2000 was $7.6 million compared to $5.0 million in 1999. The increase in the provision was due to: (i) loan growth, primarily in the commercial portfolio; (ii) increases in net charge-offs due to the effect of higher interest rates and slower economic growth on some customers within the portfolio; and (iii) increases in nonperforming assets.

NONINTEREST INCOME

Noninterest income was $30.6 million in 2000 compared to $28.8 million in 1999, for an increase of 6.3 percent. The increase was primarily due to increases in service charge income resulting from applying FCB's service charge rates to Carolina First deposit accounts subsequent to the merger, as well as continued growth of First Charter Insurance Services. Noninterest income was also impacted by the other items described in TABLE TWO on page 16.

NONINTEREST EXPENSE

Noninterest expense was $92.7 million in 2000 compared to $76.0 million in 1999. The increase was primarily attributable to restructuring charges and merger-related expenses of $16.3 million, which occurred during 2000 as well as investments in people and technology to position First Charter to better serve our existing and future clients. Noninterest expense was also impacted by the other items described in TABLE TWO on page 16.

INCOME TAX EXPENSE

Total income tax expense for 2000 was $13.3 million versus $16.5 million in 1999. The decrease is attributable to a decrease in taxable income. The decrease in tax expense, however, was not proportionate with the decrease in income because portions of the restructuring charges and merger-related expense in 2000 were not deductible. This created an increase in the effective tax rate from 31.8 percent in 1999 to 34.9 percent in 2000.

FINANCIAL CONDITION

SUMMARY

Total assets at December 31, 2001 and 2000 were $3.33 billion and $2.93 billion, respectively. Gross loans at December 31, 2001 and 2000 were $1.96 billion and $2.16 billion, respectively. This decrease from prior periods was due to the securitization of $167.0 million of mortgage loans in February 2001. These loans were securitized because of a change in interest rates and the resulting impact of that condition on the Corporation's interest rate risk. The securitized mortgage loans are now classified as mortgage backed securities in our available for sale portfolio. Total deposits increased $164.7 million, or 8.2 percent, to $2.16 billion at December 31, 2001 and other borrowings increased $238.5 million, or 41.8 percent, to $808.5 million at December 31, 2001. The increase in other borrowings was primarily due to increases in Federal Home Loan Bank advances principally used to fund security purchases.

INVESTMENT PORTFOLIO

Securities available for sale are a component of the Corporation's asset-liability management strategy and may be sold in response to liquidity needs, changes in interest rates, changes in prepayment risk, and other factors. They are accounted for at fair value, with unrealized gains and losses recorded net of tax as a component of other comprehensive income.

All securities are classified as available for sale at December 31, 2001. As maturities, sales, or paydowns occur on securities, the proceeds are utilized to meet loan demand and to reinvest in additional securities.

At December 31, 2001, securities available for sale were $1.08 billion or 32.3 percent of total assets, compared to $441.0 million, or 15.0 percent of total assets, at December 31, 2000. The increase in securities available for sale was due to the securitization of $167.0 million of mortgage loans in February 2001, as well as the net purchase of $469.3 million in securities available for sale made to raise the level of our interest earning assets. The carrying value of these securities was approximately $9.6 million above their amortized cost at December 31, 2001 and $3.3 million above their amortized cost at December 31, 2000. The tax equivalent average yield on the securities available for sale portfolio was 6.53 percent for 2001 and 6.72 percent for 2000. The weighted-average life of the portfolio was 4.77 years at December 31, 2001 and 6.19 years at December 31, 2000. In conjunction with the Merger, the Corporation transferred $35.3 million of Carolina First's securities classified as held to maturity to available for sale due to the significance of the impact on the Corporation's interest rate forecast as compared to Corporate policy. See NOTE FIVE of the consolidated financial statements for further details on securities.

The following table shows, as of December 31, 2001, 2000, and 1999, the carrying value of (i) U.S. government obligations, (ii) U.S. government agency obligations, (iii) mortgage-backed securities, (iv) state and municipal obligations, and (v) equity securities.

TABLE SIX
INVESTMENT PORTFOLIO

	December 31,		
(Dollars in thousands)	2001	2000	1
SECURITIES AVAILABLE FOR SALE			
US government obligations	$ --	$ --	$ 2
US government agency obligations	288,253	158,228	28
Mortgage-backed securities	655,690	153,276	5
State, county, and municipal obligations	87,548	94,024	8
Equity securities	45,874	35,503	3
TOTAL	$1,077,365	$441,031	$48
SECURITIES HELD TO MATURITY			
US government obligations	$ --	$ --	$
US government agency obligations	--	--	
Mortgage-backed securities	--	--	1

State, county, and municipal obligations	--	--	
TOTAL	$ --	$ --	$ 3

LOAN PORTFOLIO

Gross loans totaled $1.96 billion and $2.16 billion at December 31, 2001 and 2000, respectively. This decrease from prior periods was due primarily to the securitization of $167.0 million of mortgage loans in February 2001 as well as the effects of the slowing economy on dampened loan growth. These mortgage loans were securitized because of a change in interest rates and the resulting impact of that condition on the Corporation's interest rate risk. The securitized mortgage loans are now classified as mortgage backed securities in our available for sale portfolio. Due to changes in certain interest rates during 2000, and the resulting impact on the Corporation's interest rate risk, the Corporation sold $45.3 million in lower-yielding mortgage loans in the second quarter of 2000.

The loan portfolio at December 31, 2001 was composed of 10.9 percent commercial, financial, and agricultural loans, 17.3 percent real estate construction loans, 65.3 percent real estate mortgage loans, and 6.5 percent installment loans. This compares to a composition of 10.0 percent commercial, financial and agricultural, 15.4 percent real estate construction, 69.5 percent real estate mortgage, and 5.1 percent installment at December 31, 2000. Approximately $14.5 million of the real estate loans at December 31, 2001 are loans for which the principal source of repayment comes from the sale of real estate. The remaining $1.6 billion of loans collateralized by real estate at December 31, 2001 are (i) other commercial loans for which the primary source of repayment is derived from the ongoing cash flow of the business and which are also collateralized by real estate - $875.5 million, (ii) home equity loans which are collateralized by real estate - $228.2 million, (iii) individual residential mortgage loans - $496.5 million, and (iv) non real estate loans which are collateralized by real estate - $25.2 million.

The Corporation's primary market area includes the state of North Carolina, and predominately centers around the Metro region of Charlotte. At December 31, 2001, the majority of the total loan portfolio, as well as a substantial portion of the commercial and real estate loan portfolio, represents loans to borrowers within this region. The diversity of the region's economic base tends to provide a stable lending environment. No significant concentration of credit risk has been identified due to the diverse industrial base in the region.

In the normal course of business, there are various outstanding commitments to extend credit, which are not reflected in the consolidated financial statements. At December 31, 2001, preapproved but unused lines of credit totaled $276.1 million, loan commitments totaled $250.1 million and standby letters of credit aggregated $18.4 million. These amounts represent the Bank's exposure to credit risk, and in the opinion of management, have no more than the normal lending risk that the Bank commits to its borrowers. If these commitments are drawn, the Bank will obtain collateral if it is deemed necessary based on management's credit evaluation of the borrower. Such obtained collateral varies, but may include accounts receivable, inventory, and commercial or residential real estate. Management expects that these commitments can be funded through normal operations.

The table below summarizes loans in the classifications indicated as of December 31, 2001, 2000, 1999, 1998, and 1997.

TABLE SEVEN
LOAN PORTFOLIO COMPOSITION

	December 31,		
(Dollars in thousands)	2001	2000	1999
Commercial, financial and agricultural	$ 213,578	$ 216,515	$ 204,360
Real estate - construction	338,705	332,474	316,794
Real estate - mortgage	1,276,182	1,499,618	1,337,369
Installment	126,621	109,015	109,512
Total loans	1,955,086	2,157,622	1,968,035
Less - allowance for loan losses	(25,843)	(28,447)	(25,002)
Unearned income	(191)	(215)	(203)
Loans, net	$ 1,929,052	$ 2,128,960	$ 1,942,830

MATURITIES AND SENSITIVITIES OF LOANS TO CHANGE IN INTEREST RATES

Set forth in the table below are the amounts of each loan type, except installment loans and real estate mortgage loans, due in one year, after one year through five years, and after five years, at December 31, 2001. This table excludes non-accrual loans.

TABLE EIGHT
MATURITY AND SENSITIVITY TO CHANGES IN INTEREST RATES

	December 31, 2001		
(Dollars in thousands)	Commercial, Financial, and Agricultural	Real estate - Construction	To
Fixed rate:			
1 year or less	$ 65,523	$ 38,335	$ 10
1-5 years	7,097	58,360	6
After 5 years	13,726	31,419	4
Total fixed rate	86,346	128,114	21
Variable rate:			
1 year or less	6,621	105,907	11
1-5 years	95,357	85,276	18

After 5 years	19,470	14,601	3
Total variable rate	121,448	205,784	32
Total selected loans	$ 207,794	$ 333,898	$ 54

NONPERFORMING ASSETS

Nonperforming assets, which consist of foreclosed assets, nonaccrual loans, and restructured loans, were $31.9 million at December 31, 2001, as compared to $29.6 million at December 31, 2000. As a percentage of total assets, nonperforming assets have decreased to 0.96 percent at December 31, 2001 compared to 1.01 percent at December 31, 2000. The decrease in the percentage of nonperforming assets to total assets was primarily due to the increase in securities available for sale described in the Investment Portfolio section.

Total nonperforming assets and loans 90 days or more past due and still accruing interest at December 31, 2001 were $32.0 million or 1.62 percent of total loans and other real estate, compared to $30.0 million or 1.37 percent of total loans and other real estate at December 31, 2000. Nonaccrual loans have decreased to $23.8 million at December 31, 2001 from $26.6 million at December 31, 2000. The decrease is primarily attributable to the transfer of one large commercial relationship from nonaccrual status to other real estate as such loan was foreclosed on during the fourth quarter of 2001 as well as one commercial relationship which was repaid. Other real estate increased to $8.0 million at December 31, 2001 from $3.0 million at December 31, 2000 due to the large commercial relationship noted above. The increase in nonaccrual loans in 2000, and the decrease in loans 90 days or more past due and still accruing interest in the same year, was attributable to the impact of higher interest rates and slower economic growth on some customers during that year. Interest income that would have been recorded on nonaccrual loans and restructured loans for the years ended December 31, 2001, 2000 and 1999, had they performed in accordance with their original terms, amounted to approximately $2.2 million, $2.3 million, and $1.0 million, respectively. Interest income on all such loans included in the results of operations for 2001, 2000 and 1999 amounted to approximately $1.0 million, $1.3 million, and $0.4 million, respectively.

The determination to discontinue the accrual of interest is based on a review of each loan. Generally, accrual of interest is discontinued on loans 90 days past due as to principal or interest unless in management's opinion collection of both principal and interest is assured by way of collateralization, guarantees or other security and the loan is in the process of collection. Management's policy for any accruing loan greater than 90 days past due is to perform an analysis of the loan, including a consideration of the financial position of the borrower and any guarantor as well as the value of the collateral, and use this information to make an assessment as to whether collectibility of the principal and

interest appears probable. Based on such a review, Management has determined it is probable that the principal as well as the accruing interest on these loans will be collected in full.

The table below summarizes the Corporation's nonperforming assets and loans 90 days or more past due and still accruing interest as of the dates indicated.

TABLE NINE
NONPERFORMING AND PROBLEM ASSETS

	Decemb		
(Dollars in thousands)	2001	2000	1
Nonaccrual loans	$ 23,824	$ 26,587	$ 1
Restructured loans	--	--	
Total nonperforming loans	23,824	26,587	1
Other real estate	8,049	2,989	
Total nonperforming assets	31,873	29,576	1
Loans 90 days or more past due and still accruing interest	152	430	
Total nonperforming assets and loans 90 days or more past due and still accruing interest	$ 32,025	$ 30,006	$ 1
Nonperforming assets as a percentage of:			
Total assets	0.96%	1.01%	
Loans and other real estate	1.62%	1.37%	
Ratio of allowance for loan losses to nonperforming loans	1.08x	1.07x	

SUMMARY OF LOAN LOSS AND RECOVERY EXPERIENCE

The table below presents certain data for the years ended December 31, 2001, 2000, 1999, 1998, and 1997, including the following: (i) the average amount of net loans outstanding during the year, (ii) the allowance for loan losses at the beginning of the year, (iii) the provision for loan losses, (iv) loans charged off and recovered (v) loan charge-offs, net, (vi) the allowance for loan losses at the end of the year, (vii) the ratio of net charge-offs to average loans and (viii) the ratio of the allowance for loan losses to loans at year-end.

TABLE TEN
ALLOWANCE FOR CREDIT LOSSES

	Years Ended Dece		
(Dollars in thousands)	2001	2000	1999
Balance, January 1	$ 28,447	$ 25,002	$ 22,2
Loan charge-offs:			
Commercial, financial and agricultural	4,280	2,532	9
Real estate - construction	50	351	
Real estate - mortgage	564	519	1
Installment	2,512	1,661	1,6

Total loans charged-off	7,406	5,063	2,7
Recoveries of loans previously charged-off:			
Commercial, financial and agricultural	243	623	2
Real estate - construction	--	--	
Real estate - mortgage	169	49	
Installment	285	334	4
Other	57	--	
Total recoveries of loans previously charged-off	754	1,006	8
Net charge-offs	6,652	4,057	1,9
Provision for loan losses	4,465	7,615	5,0
Adjustment for merged banks	--	--	
Adjustment for loans sold and securitized	(417)	(113)	(3
Balance, December 31	$ 25,843	$ 28,447	$ 25,0
Average loans, net	$ 1,990,406	$ 2,074,971	$ 1,878,5
Net charge-offs to average loans	0.33%	0.20%	0.
Allowance for loan losses to gross loans at year-end	1.32	1.32	1.

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ALLOWANCE FOR LOAN LOSSES

All estimates of the loan portfolio risk, including the adequacy of the allowance for loan losses, are subject to general and local economic conditions, among other factors, which are unpredictable and beyond the Corporation's control. Since a significant portion of the loan portfolio is comprised of real estate loans and loans to area businesses, the Corporation is subject to continued risk that the real estate market and economic conditions could continue to change and could result in future losses and require increases in the provision for loan losses.

Management currently uses several measures to assess and control the loan portfolio risk. For example, all loans over a certain dollar amount must receive an in-depth review by an analyst in the Bank's Credit Department. Any issues regarding risk assessments of those credits are addressed by the Bank's Senior Risk Managers and factored into management's decision to originate or renew the loan. Furthermore, large commitments are reviewed by both a Board of Directors Loan Committee and an Executive Loan Committee comprised of executive management, the Chief Credit Officer and senior lending officers of the Bank. The Corporation also continues to employ an independent third party risk assessment group to review the underwriting, documentation and risk grading analysis. This third party group reviews loans on a sampling basis at regular intervals throughout the year. The third party's evaluation and report is shared with Executive Management and the Loan and Audit Committees of the Bank.

Management uses the information developed from the procedures described above in evaluating and grading the loan portfolio. This continual grading process is used to monitor the credit quality of the loan portfolio and to assist management in determining the appropriate levels of the allowance for loan losses.

As part of the continual grading process, individual commercial loans are assigned a credit risk grade based on their credit quality, which is subject to change as conditions warrant. Any changes in those risk assessments as determined by the outside risk assessment group, regulatory examiners or the Corporation's Risk Management Division are also considered in the allowance for loan losses analysis. Management considers certain commercial loans on nonaccrual status to be individually impaired and measures such impairment and the related allowance for loan loss based primarily upon collateral values. An estimate of an allowance is made for all other graded loans in the portfolio based on their assigned credit risk grade, type of loan, historical loss experience and other matters related to credit risk. In the allowance for loan loss analysis process, the Bank also aggregates non-graded loans into pools of similar credits and reviews the historical loss experience associated with these pools as additional criteria to allocate the allowance to each category. The Bank also considers the impact of the area, local, regional and national economies in making estimates of the allowance for loan losses.

At December 31, 2001 the allowance for loan losses was $25.8 million or 1.32 percent of gross loans compared to $28.4 million or 1.32 percent at December 31, 2000 and $25.0 million, or 1.27 percent at December 31, 1999. During 2001 the ratio of the allowance for loan losses to gross loans increased due to the February 2001 mortgage loan securitization, which removed $417,000 of allowance for loan losses when the loans were securitized and reclassified from loans into securities available for sale. Securitized loans consisted of residential mortgage loans, which generally have a lower percentage of allocated allowance for loan losses. This increase in the ratio of the allowance for loan losses to gross loans was offset by higher net loan charge-offs associated with two large commercial relationships which were written down during the fourth quarter of 2001. These commercial loans had been identified as impaired during 2000 and had specific allocated reserves.

Management considers the allowance for loan losses adequate to cover inherent losses in the Bank's loan portfolio as of the date of the financial statements. Management believes it has established the allowance in consideration of the current economic environment. While management uses the best information available to make evaluations, future additions to the allowance may be necessary based on changes in economic and other conditions. Additionally, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowances for loan losses. Such agencies may

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require the recognition of adjustments to the allowances based on their judgments of information available to them at the time of their examinations.

The following table presents the dollar amount of the allowance for loan losses applicable to major loan categories, the percentage of the allowance amount in each category to the total allowance and the percentage of the loans in each category to total loans as of December 31, 2001, 2000, 1999, 1998 and 1997.

TABLE ELEVEN
ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES (1)

	December 31,		
	2001	2000	1999

(Dollars in thousands)	Amount	Loan/ Total Loans	Amount	Loan/ Total Loans	Amount	Loan/ Total Loans	Amoun
Commercial, financial and agricultural	$ 4,103	11%	$ 5,465	10%	$ 4,773	10%	$ 3,32
Real estate - construction	5,969	17	6,568	15	5,276	16	3,40
Real estate - mortgage	11,569	65	15,120	70	12,583	68	13,37
Installment	4,202	7	1,294	5	2,370	6	2,17
Total	$25,843	100%	$28,447	100%	$25,002	100%	$22,27

(1) The allowance amounts assigned to each category of loans represent the historical loss experience of the loans adjusted for current economic events or conditions.

DEPOSITS

TABLE THREE provides information on the average amounts of deposits and the rates paid by deposit category. Total deposits at December 31, 2001 were $2.16 billion, an 8.2 percent increase from December 31, 2000. Insured money market accounts increased $42.3 million or 17.3 percent, demand deposits increased $45.5 million or 9.1 percent, and certificates of deposit increased $87.4 million or 7.7 percent, while savings deposits decreased $10.5 million or 8.6 percent. Increases in money market and certificates of deposit were due to marketing campaigns directed toward packaging and promoting these accounts more effectively, as well as the purchase of $57.6 million of brokered certificates of deposits used as a funding source. The reduction in savings deposits was due to the Corporation reducing the interest rates paid on these accounts which encouraged migration to other deposit account types. See NOTE TEN of the consolidated financial statements for further details on deposits.

OTHER BORROWINGS

Other borrowings increased $238.5 million during the year, to $808.5 million at December 31, 2001, from $570.0 million at December 31, 2000. The components of this increase consisted primarily of an increase of $183.7 million in FHLB advances and an increase of $54.8 million in short term borrowings consisting primarily of federal funds purchased and securities sold under agreements to repurchase. These borrowings were principally used to fund securities purchases.

The following is a schedule of other borrowings which consists of the following categories: securities sold under repurchase agreements, federal funds purchased and Federal Home Loan Bank of Atlanta ("FHLB") borrowings for the years ended December 31, 2001, 2000 and 1999.

Table Twelve
Other Borrowings

(Dollars in thousands)	2001	2000
Federal funds purchased, securities sold under agreements to repurchase, FHLB and other borrowings:		
Balance as of December 31	$ 808,512	$ 570,024

Average balance	652,298	556,859
Maximum outstanding at any month end	808,512	627,916
Interest rate as of December 31	3.84%	5.98%
Average interest rate	4.85%	5.94%

At December 31, 2001, FCB had one available line of credit with the FHLB totaling $736.8 million with approximately $639.4 million outstanding. The outstanding amounts consisted of $156.0 million maturing in 2002, $30.0 million maturing in 2003, $25.0 million maturing in 2004, $65.0 million in 2006, $76.0 million maturing in 2009, $107.0 million maturing in 2010 and $180.4 million maturing in 2011. In addition, the FHLB requires banks to pledge collateral to secure the advances as described in the line of credit agreement. The collateral consists of FHLB stock and qualifying 1-4 family residential mortgage loans.

LIQUIDITY

Liquidity is the ability to maintain cash flows adequate to fund operations and meet obligations and other commitments on a timely and cost-effective basis. Liquidity is provided by the ability to attract deposits, flexible repricing schedules in a sizable portion of the loan portfolio, current earnings, a strong capital base and the ability to use alternative funding sources that complement normal sources. Management's asset-liability policy is to maximize net interest income while continuing to provide adequate liquidity to meet continuing loan demand and deposit withdrawal requirements and to service normal operating expenses.

The Corporation's primary source of funding is from customer deposits, loan repayments, and securities available for sale. If additional funding sources are needed, the Bank has access to federal fund lines at correspondent banks and borrowings from the Federal Reserve discount window. In addition to these sources, as described above, the Bank is a member of the FHLB, which provides access to FHLB lending sources. At December 31, 2001, the Bank had an available line of credit with the FHLB totaling $736.8 million with $97.4 million available. At December 31, 2001, FCB also had federal funds back-up lines of credit totaling $50.0 million, of which there were no amounts outstanding. At December 31, 2001, the Corporation had lines of credit with SunTrust Bank totaling $25.0 million with $15.0 million outstanding and commercial paper outstandings of $16.9 million.

The Corporation's other borrowings capacity is limited to 30 percent of earning assets. At December 31, 2001, earning assets totaled $3.04 billion, which translated to a borrowing capacity of approximately $912.0 million.

Another source of liquidity is the securities available for sale portfolio. See "FINANCIAL CONDITION - Investment Portfolio" for a further discussion. Management believes the Bank's sources of liquidity are adequate to meet loan demand, operating needs and deposit withdrawal requirements.

The Corporation has obligations under existing contractual obligations that will require payments in future periods. The following table presents aggregated information about such payments to be made in future periods. The Corporation anticipates refinancing during 2002 any contractual obligations that are due in less than one year.

Table Thirteen

Contractual Obligations
As of December 31, 2001

(Dollars in thousands)	Less than 1 year	1-3 Years	4-5 Years	Ov
	Payments Due by Period			
Other borrowings	$ 355,182	$ 25,080	$ 65,080	
Lease obligations	114	4,590	2,134	
Equity method investees funding (1)	925	--	--	
Deposits (2)	1,944,639	179,565	37,623	
Total Contractual Cash Obligations	$ 2,300,860	$ 209,235	$ 104,837	

(1) Equity method investee funding is not related to the expected equity investment loss detailed in Note Twenty.
(2) Deposits with no stated maturity (demand, money market, and savings deposits) are presented in the less than one year category.

ASSET-LIABILITY MANAGEMENT AND INTEREST RATE SENSITIVITY

The primary objective of the Corporation's asset-liability management strategy is to reduce the risk of a significant decrease in net interest income caused by interest rate changes without unduly penalizing current earnings. One method used to manage interest rate sensitivity is to measure, over various time periods, the interest rate sensitivity positions, or gaps; however, this method addresses only the magnitude of timing differences and does not address earnings or market value. Management uses an earnings simulation model to assess the amount of earnings at risk due to changes in interest rates. This model is updated monthly and is based on a range of interest rate scenarios. Under the Corporation's policy, the limit for interest rate risk is 10 percent of net interest income when considering an increase or decrease in interest rates of 300 basis points over a twelve-month period. Management believes this method more accurately measures interest rate risk. Assuming a 300 basis point pro-rata increase in interest rates over a twelve-month period, the Corporation's sensitivity to interest rate risk would positively impact net interest income by approximately 1.50 percent of net interest income at December 31, 2001. Assuming a 150 basis point pro-rata decrease in interest rates over a twelve-month period, the Corporation's sensitivity to interest rate risk would negatively impact net interest income by approximately 1.68 percent of net interest income at December 31, 2001. Both scenarios are within Management's acceptable range.

In an effort to increase earning assets during 2001, the Corporation added $636.3 million in securities available for sale to minimize the effects on net interest income of the 475 basis point decrease in interest rates and dampened loan demand due to the 2001 slowing economic environment. This action increased the securities available for sale balance to $1.08 billion at December 31, 2001 from $441.0 million at December 31, 2000.

From time to time, the Corporation may use derivative financial instruments including futures, forwards, interest rate swaps, option contracts, and other financial instruments with similar characteristics. At December 31,

2001, the Corporation had no such derivative financial instruments. Refer to NOTES ONE AND SIX to consolidated financial statements and RESULTS OF OPERATIONS for a discussion of the Corporation's use of written over-the-counter covered call options during 2001. The Corporation does not have any special purpose entities or off-balance sheet financing arrangements.

The Corporation is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated financial statements. Commitments to extend credit are agreements to lend to a customer so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and may require collateral from the borrower if deemed necessary by the Corporation. Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party up to a stipulated amount and with specified terms and conditions. Commitments to extend credit and standby letters of credit are not recorded as an asset or liability by the Corporation until the instrument is exercised. See "FINANCIAL CONDITION - Loans Portfolio".

The following table presents aggregated information about commitments of the Corporation which could impact future periods.

TABLE FOURTEEN
COMMITMENTS
As of December 31, 2001

		Amount of Commitment Expiration Per Period		
(Dollars in thousands)	Less than 1 year	1-3 Years	4-5 Years	Over 5 Years
Lines of Credit	$ 82,291	$ 2,024	$ 4,461	$ 187,284
Standby Letters of Credit	17,940	495	--	--
Loan Commitments	174,876	44,632	22,650	7,934
Total Commitments	$ 275,107	$ 47,151	$ 27,111	$ 195,218

The following table presents the Corporation's interest sensitivity analysis for December 31, 2001 and sets forth at various maturity periods the cumulative interest sensitivity gap, which is the difference between rate sensitive assets and rate sensitive liabilities for assets and liabilities that management considers rate sensitive. The mortgage-backed securities are shown at their weighted average expected life obtained from an outside evaluation of the average remaining life of each security based on historic prepayment speeds of the underlying mortgages at December 31, 2001. Demand deposits, money market accounts and certain savings deposits are presented in the earliest repricing window because the rates are subject to immediate repricing. At December 31, 2001 total rate sensitive liabilities due within one year were $2.02 billion compared to rate sensitive assets of $1.22 billion, for a negative one-year cumulative gap of approximately $805.1 million. As a result, increases in

interest rates in future periods may have the impact of reducing net interest income. As part of the Corporation's asset-liability management strategy, the Corporation has preliminarily decided to restructure the securities available for sale portfolio by selling a portion of the securities portfolio with longer term maturities and replacing such securities with securities having shorter term maturities. If the Corporation takes the actions described above during the first quarter of 2002, it is expected that the Corporation would realize a gain in the range of $2.5 million to $3.0 million.

Interest sensitivity of the Corporation's balance sheet as of a specific date is not necessarily indicative of the Corporation's position on other dates.

TABLE FIFTEEN
INTEREST RATE SENSITIVITY
As of December 31, 2001

(Dollars in thousands)	Due in 1 year or less	Due after 1 through 5 years	Due after 5 through 10 years	Due afte 10 year
Interest-earning assets:				
Interest-bearing due from banks	$ 38,331	$ --	$ --	$ --
Fed funds sold	1,161	--	--	--
Securities available for sale, at amortized cost:	12,636	558,155	432,748	19,564
Loans	1,165,864	564,053	140,844	58,291
Total earning assets	1,217,992	1,122,208	573,592	77,855
Interest-bearing liabilities:				
Interest-bearing deposits:				
Demand deposits	266,667	--	--	--
Money market accounts	286,653	--	--	--
Savings deposits	102,054	9,620	--	--
Other time deposits	1,012,566	207,568	1,118	--
Other borrowings	355,182	90,160	363,170	--
Total interest-bearing liabilities	2,023,122	307,348	364,288	--
Interest sensitivity gap	$ (805,130)	$ 814,860	$209,304	$ 77,855
Cumulative gap	$ (805,130)	$ 9,730	$219,034	$296,889
Ratio of earning assets to interest-bearing liabilities	60.20%	365.13%	157.46%	N/A

(1) Represents equity securities which have no stated maturity and are presented for illustrative purposes only.

CAPITAL RESOURCES

At December 31, 2001, total shareholders' equity at December 31, 2001 was $309.3 million unchanged from December 31, 2000. Cash dividends declared per share in 2001 by the Corporation were $0.72 compared to $0.70 in 2000.

The principal asset of the Corporation is its investment in the Bank. Thus, the Corporation derives its principal source of income through dividends from the Bank. Certain regulatory and other requirements restrict the lending of funds by the Bank to the Corporation and the amount of dividends which can be paid to the Corporation. In addition, certain regulatory agencies may prohibit the payment of dividends by the Bank if they determine that such payment would constitute an unsafe or unsound practice. At December 31, 2001, the Bank is required to obtain prior regulatory approval for payments of dividends. See NOTE EIGHTEEN of notes to consolidated financial statements.

The Corporation and the Bank must comply with regulatory capital requirements established by the applicable federal regulatory agencies. Under the Federal Reserve Board (the "FRB") standards, the Corporation must maintain a minimum ratio of Tier I Capital (as defined) to total risk-weighted assets of 4.00 percent and a minimum ratio of Total Capital (as defined) to risk-weighted assets of 8.00 percent. Tier I Capital is comprised of total shareholders' equity calculated in accordance with generally accepted accounting principles less certain intangible assets and excluding unrealized gains or losses on securities available for sale. Total Capital is comprised of Tier I Capital plus certain adjustments, the largest of which for the Corporation is the allowance for loan losses (up to 1.25 percent of risk weighted assets). Total Capital must consist of at least 50 percent of Tier 1 Capital. Risk-weighted assets refer to the on- and off-balance sheet exposures of the Corporation adjusted for their related risk levels using amounts set forth in FRB regulations.

In addition to the aforementioned risk-based capital requirements, the Corporation is subject to a leverage capital requirement, requiring a minimum ratio of Tier I Capital (as defined previously) to total adjusted average assets of 3.00 percent to 5.00 percent.

The Bank also has similar regulatory capital requirements imposed by the OCC. See NOTE NINETEEN of notes to consolidated financial statements for additional discussion of requirements.

At December 31, 2001, both the Corporation and the Bank were in compliance with all existing capital requirements. The Corporation's consolidated capital requirements are summarized in the table below:

TABLE SIXTEEN
CAPITAL RATIOS

			Risk-Based	
	Leverage Capital		Tier 1 Capital	
(Dollars in thousands)	Amount	Percentage (1)	Amount	Percentage (2)
Actual	$ 284,107	8.80%	$ 284,107	12.80%
Required	129,096	4.00	88,773	4.00
Excess	155,011	4.80	195,334	8.80

(1) Percentage of total adjusted average assets. The FRB minimum

leverage ratio requirement is 3.00 percent to 5.00 percent, depending on the institution's composite rating as determined by its regulators. The FRB has not advised the Corporation of any specific requirement applicable to it.

(2) Percentage of risk-weighted assets.

On April 27, 2001, the Corporation's Board of Directors authorized the repurchase of up to 1 million shares of the Corporation's common stock. Through December 31, 2001, the Corporation had repurchased all shares of its common stock authorized in open market transactions at an average per-share price of approximately $17.96, subject to adjustment as discussed below, which reduced shareholders' equity by $18.0 million. On December 21, 2001, the Corporation entered into a share

repurchase agreement with a third party for the final 493,000 shares repurchased according to this authorization. The transaction will be settled with the counterparty during the second quarter of 2002 based on the average of the Corporation's stock price during the term of the agreement. The Corporation has structured the agreement so as to account for the repurchase as equity in accordance with Emerging Issues Task Force (EITF) 00-19. Fluctuations in the value of the Corporation's common stock will not be recognized in the Corporation's consolidated financial statements. The earnings per share calculation assumes that this transaction will settle in shares, so the diluted earnings per share calculations during the period the agreement is outstanding are impacted in that the potential common shares that could be issued will be included in diluted average shares outstanding.

On January 23, 2002, the Corporation's Board of Directors authorized the repurchase of up to 1.5 million additional shares of the Corporation's common stock.

REGULATORY RECOMMENDATIONS

Management is not presently aware of any current recommendations to the Corporation or to the Bank by regulatory authorities, which, if they were to be implemented, would have a material effect on the Corporation's liquidity, capital resources, or operations.

ACCOUNTING AND REGULATORY MATTERS

Statement of Financial Accounting Standards No. 133 (SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities," establishes accounting and reporting standards for derivatives and hedging activities. It requires that all derivatives be recognized as assets or liabilities on the balance sheet and that such instruments be carried at fair value through adjustments to either other comprehensive income or current earnings or both, as appropriate. SFAS No. 133 was originally effective for financial statements issued for all fiscal quarters of fiscal years beginning after June 15, 1999. The implementation date of SFAS No. 133 was delayed by Statement of Financial Accounting Standards No. 137 "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133" to the first fiscal quarters of fiscal years beginning after June 15, 2000. Accordingly, the Corporation adopted SFAS No. 133 on January 1, 2001. The impact to the Corporation upon adoption was immaterial.

In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 140 (SFAS No. 140), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments

of Liabilities--a replacement of FASB Statement 125", which revises the criteria for accounting for securitizations and other transfers of financial assets and collateral, and introduces new disclosures. The enhanced disclosure requirements were effective for year-end 2000. The other provisions of SFAS No. 140 apply prospectively to transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001. Accordingly, the Corporation adopted SFAS No. 140 on April 1, 2001. The impact to the Corporation upon adoption was not significant.

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

The Corporation was required to adopt the provisions of SFAS 141 as of June 30, 2001 and will adopt SFAS 142 effective January 1, 2002. Furthermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June

30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate accounting literature issued prior to SFAS 142. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 continued to be amortized in 2001 prior to the adoption of SFAS 142 on January 1, 2002.

SFAS 141 requires, upon adoption of SFAS 142, that the Corporation evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in SFAS 141 for recognition apart from goodwill. Upon adoption of SFAS 142, the Corporation will be required to reassess the useful lives and residual values of all identifiable intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, any intangible asset classified as goodwill under SFAS 142 will be subjected to a transitional impairment test during the first six months of 2002 based on the level of goodwill as of January 1, 2002. Any impairment losses identified as a result of this transitional impairment test will be recognized in the 2002 statement of income as the effect of a change in accounting principle.

As of December 31, 2001, the Corporation had intangible assets totaling $19.2 million. Management has evaluated the Corporation's existing intangible assets and goodwill and made appropriate reclassifications in order to conform to the new criteria in SFAS 141 for recognition apart from goodwill, as further described below.

The Corporation has determined that upon adoption of SFAS 142 on

January 1, 2002, the Corporation had $6.0 million of goodwill that will no longer be amortized beginning in 2002. The amortization expense associated with this goodwill during the years ended December 31, 2001, 2000 and 1999 was $440,000, $363,000 and $203,000, respectively. In accordance with SFAS 142, the Corporation will perform a transitional impairment test of this goodwill in the first six months of 2002, and will perform an annual impairment test of the goodwill in 2002 and thereafter.

At December 31, 2001, the Corporation also had approximately $709,000 of identified intangible assets (primarily book of business agreements and noncompete agreements) which will continue to be amortized over their useful lives (which range from 3 to 15 years) in accordance with SFAS 142. The amortization expense associated with these identified intangible assets during the years ended December 31, 2001, 2000 and 1999 was $263,000, $277,000, and $163,000, respectively, and is expected to be $254,000 for 2002.

The remaining intangible assets, totaling $12.4 million at December 31, 2001, relate to acquisitions of branches that are being accounted for in accordance with Statement of Financial Accounting Standards No. 72 (SFAS 72), "Accounting for Certain Acquisitions of Banking and Thrift Institutions." SFAS 72, which was not amended by SFAS 142, requires that identified intangible assets and unidentified intangible assets associated with certain acquisitions of branches be amortized into expense. Accordingly, these intangible assets will continue to be amortized over their useful lives (generally 10 to 15 years). Management periodically reviews the useful lives of these assets and adjusts them downward where appropriate. The amortization expense associated with these branches was $1.2 million, $506,000, and $588,000 for the years ended December 31, 2001, 2000 and 1999, respectively, and is expected to be $1.1 million for the year ending December 31, 2002.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 143 (SFAS No. 143), "Accounting for Asset Retirement Obligations", which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement cost. This standard requires the Corporation to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and or normal use of the assets. The Corporation also is to record a corresponding increase to the carrying amount of the related long-lived asset and to depreciate that cost over the life of the asset. The liability is changed at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the initial fair value measurement. This statement is effective for fiscal years beginning after

June 15, 2002. At this time, the Corporation is assessing the impact of SFAS No. 143 on its financial condition and results of operations.

In October 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 144 (SFAS No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This standard provides guidance on differentiating between long-lived assets to be held and used, long-lived assets to be disposed of other than by sale and long-lived assets to be disposed of by sale. SFAS No. 144 supersedes FASB Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". SFAS No. 144 also supersedes Accounting Principals Board Opinion No. 30,

"Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". This statement is effective for fiscal years beginning after December 15, 2001. The Corporation does not expect adoption of this statement to have a material effect on its consolidated financial statements.

From time to time, the FASB issues exposure drafts for proposed statements of financial accounting standards. Such exposure drafts are subject to comment from the public, to revisions by the FASB and to final issuance by the FASB as statements of financial accounting standards. Management considers the effect of the proposed statements on the consolidated financial statements of the Corporation and monitors the status of changes to and proposed effective dates of exposure drafts.

LEGAL PROCEEDINGS

The Corporation and the Bank are defendants in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated operations, liquidity or financial position of the Corporation or the Bank.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Certain information called for by Item 7A is set forth in Item 7 under the caption "Asset-Liability Management and Interest Rate Sensitivity" on page 31 and is incorporated herein by reference. The following table presents information concerning market risk sensitive instruments at December 31, 2001:

TABLE SEVENTEEN
MARKET RISK

December 31, 2001		Expected Ma			
(Dollars in thousands)	Total	2002	2003	2004	
Assets					
Debt securites					
Fixed rate					
Book value	$ 983,321	$ 133,432	$128,349	$140,357	$
Weighted average effective yield	6.02%				
Fair value	$ 990,104				
Variable rate					
Book value	$ 39,782	20,016	19,646	120	
Weighted average effective yield	6.66%				
Fair value	$ 41,387				
Loans					
Fixed rate					
Book value	$1,130,459	234,975	177,602	176,815	
Weighted average effective yield	7.37%				
Fair value	$1,166,034				
Variable rate					

Book value	$ 798,593	392,413	111,471	83,412
Weighted average effective yield	5.65%			
Fair value	$ 794,498			
Liabilities				
Deposits				
Fixed rate				
Book value	$1,221,252	1,012,566	130,048	39,897
Weighted average effective yield	4.19%			
Fair value	$1,227,845			
Variable rate				
Book value	$ 664,995	656,102	8,697	196
Weighted average effective yield	1.19%			
Fair value	$ 664,581			
Other borrowings				
Fixed rate				
Book value	$ 607,512	154,182	40	25,040
Weighted average effective yield	4.25%			
Fair value	$ 618,891			
Variable rate				
Book value	$ 201,000	156,000	30,000	15,000
Weighted average effective yield	2.38%			
Fair value	$ 201,044			

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

The Board of Directors
First Charter Corporation

We have audited the accompanying consolidated balance sheets of First Charter Corporation and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Charter Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Charlotte, North Carolina
January 15, 2002, except for Note 20,
which is as of February 28, 2002

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FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)	December 31 2001
Assets:	
Cash and due from banks	$ 134,084
Federal funds sold	1,161
Interest bearing bank deposits	6,220
Cash and cash equivalents	141,465
Securities available for sale (cost of $1,067,787 at December 31, 2001 and $437,684 at December 31, 2000; carrying amount of pledged collateral at December 31, 2001, $138,541)	1,077,365
Loans	1,955,086
Less: Unearned income	(191
Allowance for loan losses	(25,843
Loans, net	1,929,052
Premises and equipment, net	96,976
Other assets	87,879
Total assets	$ 3,332,737
Liabilities:	
Deposits, domestic:	
Noninterest bearing demand	$ 276,699
Interest bearing	1,886,246
Total deposits	2,162,945
Other borrowings	808,512
Other liabilities	51,939
Total liabilities	3,023,396
Shareholders' equity:	
Preferred stock - no par value; authorized 2,000,000 shares; no shares issued and outstanding	--
Common stock - no par value; authorized 100,000,000 shares; issued and outstanding 30,742,532 and 31,601,263 shares	135,167
Common stock held in Rabbi Trust for deferred compensation	(388

Deferred compensation payable in common stock	388
Retained earnings	168,334
Accumulated other comprehensive income:	
Unrealized gains on securities available for sale, net	5,840
Total shareholders' equity	309,341
Total liabilities and shareholders' equity	$ 3,332,737

See accompanying notes to consolidated financial statements.

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FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended Dece	
(Dollars in thousands, except share and per share data)	2001	2000
Interest income:		
Loans	$ 158,985	$ 184,035
Federal funds sold	75	250
Interest bearing bank deposits	399	224
Securities	55,817	31,634
Total interest income	215,276	216,143
Interest expense:		
Deposits	78,252	75,263
Federal funds purchased and securities sold under agreements to repurchase	5,034	6,620
Federal Home Loan Bank and other borrowings	26,626	26,431
Total interest expense	109,912	108,314
Net interest income	105,364	107,829
Provision for loan losses	4,465	7,615
Net interest income after provision for loan losses	100,899	100,214
Noninterest income:		
Service charges on deposit accounts	13,848	11,187
Financial management income	2,323	2,819
Gain (loss) on sale of securities	2,399	(4,303
(Loss) gain on sale of loans	--	(99
Gain on sale of property	416	2,788
(Loss) income from equity method investees	(442)	4,580
Mortgage loan fees	2,643	1,001
Brokerage services income	1,746	1,543
Insurance services income	7,681	6,805
Trading gains	2,592	--
Other	5,567	4,345
Total noninterest income	38,773	30,666

Noninterest expense:		
Salaries and employee benefits	44,719	40,942
Occupancy and equipment	14,607	12,342
Data processing	2,956	2,380
Advertising	2,363	3,390
Postage and supplies	4,820	4,379
Professional services	6,727	3,760
Telephone	1,396	1,425
Restructuring charges and merger-related	--	16,250
Other	9,991	7,859
Total noninterest expense	87,579	92,727
Income before income taxes	52,093	38,153
Income taxes	16,768	13,312
Net income	$ 35,325	$ 24,841
Net income per share:		
Basic	$ 1.12	$ 0.79
Diluted	$ 1.12	$ 0.79
Weighted average shares:		
Basic	31,480,109	31,435,342
Diluted	31,660,985	31,580,328

See accompanying notes to consolidated financial statements.

FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Common Sto held in Ra Trust fo Deferred
(Dollars in thousands, except share data)	Shares	Amount	Compensati
Balance, December 31, 1998	32,007,898	$ 168,904	$ --
Comprehensive income:			
Net income	--	--	--
Unrealized loss on securities available for sale, net	--	--	--
Total comprehensive income			
Cash dividends	--	--	--
Stock options exercised and Dividend Reinvestment Plan stock issued	204,831	1,041	--
Shares issued in connection with business acquisition	68,551	1,273	--
Purchase and retirement of common stock	(1,180,970)	(24,780)	--
Balance, December 31, 1999	31,100,310	146,438	--

Comprehensive income:			
Net income	--	--	--
Unrealized gain on securities available for sale, net	--	--	--
Total comprehensive income			
Cash dividends	--	--	--
Stock options exercised and Dividend Reinvestment Plan stock issued	380,680	3,050	--
Shares issued in connection with business acquisition	122,263	2,025	--
Purchase and retirement of common stock	(1,990)	(27)	--
Balance, December 31, 2000	31,601,263	151,486	--
Comprehensive income:			
Net income	--	--	--
Unrealized gain on securities available for sale, net	--	--	--
Total comprehensive income			
Common stock purchased by Rabbi Trust for deferred compensation	--	--	(388)
Deferred compensation payable in common stock	--	--	--
Cash dividends	--	--	--
Stock options exercised and Dividend Reinvestment Plan stock issued	141,269	1,643	--
Purchase and retirement of common stock	(1,000,000)	(17,962)	--
Balance, December 31, 2001	30,742,532	$ 135,167	$ (388)

(Dollars in thousands, except share data)	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 1998	$ 6,535	$306,175
Comprehensive income:		
Net income	--	35,291
Unrealized loss on securities available for sale, net	(13,920)	(13,920)
Total comprehensive income		21,371
Cash dividends	--	(14,812)
Stock options exercised and Dividend Reinvestment Plan stock issued	--	1,041
Shares issued in connection with business acquisition	--	1,273
Purchase and retirement of common stock	--	(24,780)
Balance, December 31, 1999	(7,385)	290,268
Comprehensive income:		
Net income	--	24,841
Unrealized gain on securities available for sale, net	9,424	9,424

Total comprehensive income		34,265
Cash dividends	--	(20,294)
Stock options exercised and Dividend Reinvestment Plan stock issued	--	3,050
Shares issued in connection with business acquisition	--	2,025
Purchase and retirement of common stock	--	(27)
Balance, December 31, 2000	2,039	309,287
Comprehensive income:		
Net income	--	35,325
Unrealized gain on securities available for sale, net	3,801	3,801
Total comprehensive income		39,126
Common stock purchased by Rabbi Trust for deferred compensation	--	(388)
Deferred compensation payable in common stock	--	388
Cash dividends	--	(22,753)
Stock options exercised and Dividend Reinvestment Plan stock issued	--	1,643
Purchase and retirement of common stock	--	(17,962)
Balance, December 31, 2001	$ 5,840	$309,341

See accompanying notes to consolidated financial statements.

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FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	200
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 3
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	
Depreciation	
Premium amortization and discount accretion, net	
Net (gain) loss on securities available for sale transactions	(
Net (gain) loss on sale of other real estate	
Net gain on sale of property	
Loss (income) from equity method investees	
Net loss (gain) on sale of mortgage loans	
Net loss (gain) on sale of premises and equipment	
Origination of mortgage loans held for sale	(20
Proceeds from sale of mortgage loans held for sale	20
Decrease (increase) in other assets	
(Decrease) increase in other liabilities	(

NET CASH PROVIDED BY OPERATING ACTIVITIES	4
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of securities available for sale	54
Proceeds from maturities of securities available for sale	24
Purchase of securities available for sale	(1,25
Proceeds from issuer calls and maturities of securities held to maturity	
Purchase of securities held to maturity	
Net decrease (increase) in loans	2
Proceeds from sale of loans	
Proceeds from sales of other real estate	
Net purchases of premises and equipment	(2
Acquisition of businesses, net of cash paid	
NET CASH USED IN INVESTING ACTIVITIES	(46
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net increase (decrease) in demand, money market and savings accounts	7
Net increase (decrease) in certificates of deposit	8
Net increase in securities sold under repurchase agreements and other borrowings	23
Purchase and retirement of common stock	(1
Proceeds from issuance of common stock	
Dividends paid	(2
NET CASH PROVIDED BY FINANCING ACTIVITIES	36
Net (decrease) increase in cash and cash equivalents	(5
Cash and cash equivalents at beginning of period	19
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 14
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid for interest	$ 11
Cash paid for income taxes	
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:	
Transfer of loans and premises and equipment to other real estate owned	
Unrealized gain (loss) on securities available for sale (net of tax effect of $2,430, $6,025 and $(9,232) for the years ended December 31, 2001, 2000, and 1999, respectively)	
Issuance of common stock for business acquisitions	
Loans securitized and retained in the available for sale portfolio	16
Transfer of loans in portfolio to held for sale	
Transfer of securities held to maturity to available for sale in connection with business combination	

See accompanying notes to consolidated financial statements.

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FIRST CHARTER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001, 2000 AND 1999

NOTE ONE -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a description of the more significant accounting and reporting policies which First Charter Corporation (the "Corporation") and its

subsidiary, First Charter Bank ("FCB" or the "Bank"), follow in preparing and presenting their consolidated financial statements. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, FCB. In addition, through First Charter Brokerage Services, a subsidiary of FCB, the Registrant offers full service and discount brokerage services, annuity sales and financial planning services pursuant to a third party arrangement with UVEST Investment Services. The Bank also operates six other subsidiaries: First Charter Insurance Services, Inc., First Charter of Virginia Realty Investments, Inc., First Charter Realty Investments, Inc., FCB Real Estate, Inc., First Charter Real Estate Holding, LLC., and First Charter Leasing, Inc. First Charter Insurance Services, Inc. is a North Carolina corporation formed to meet the insurance needs of businesses and individuals throughout the Charlotte metropolitan area. First Charter of Virginia Realty Investments, Inc. is a Virginia corporation engaged in the mortgage origination business and also acts as a holding company for First Charter Realty Investments, Inc. a Delaware real estate investment trust. FCB Real Estate, Inc. is a North Carolina real estate investment trust and First Charter Real Estate Holdings, LLC is a North Carolina limited liability company. First Charter Leasing, Inc. is a North Carolina corporation, which leases commercial equipment. The Bank also has a majority ownership in Lincoln Center at Mallard Creek, LLC. Lincoln Center is a three-story office building occupied in part by a branch of FCB. In consolidation, all significant intercompany accounts and transactions have been eliminated.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements, as well as the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications of certain amounts in the previously issued consolidated financial statements have been made to conform to the financial statement presentation for 2001. Such reclassifications had no effect on the net income or shareholders' equity of the combined entity as previously reported.

Business

The Bank, either directly or through its subsidiaries, provides businesses and individuals a broad range of financial services, including banking, comprehensive financial planning, funds management, investments, insurance, mortgages and a full array of employee benefit programs. The Bank is a regional financial services company operating 52 financial centers, five insurance offices, one mortgage origination office and 99 ATMs located in 17 counties throughout North Carolina. Further, FCB recently opened one mortgage origination office in Virginia.

On June 22, 2001, First Charter's banking subsidiary completed its conversion from a national bank to First Charter Bank, a North Carolina state bank. The change was completed after a cost benefit analysis of supervisory regulatory charges and does not represent any disagreement with the Corporation's or the Bank's former regulators. The Bank will continue to operate its financial center network franchise under the "First Charter" brand name.

Securities

The Corporation classifies securities as trading, available-for-sale or held-to-maturity based on management's intent at the date of purchase. At December 31, 2001, substantially all of the Corporation's securities are categorized as available-for-sale and, accordingly, are reported at fair value, based on quoted market prices, with any unrealized gains or losses, net of taxes, reflected as an element of accumulated other comprehensive income. The Corporation intends to hold these available-for-sale securities for an indefinite period of time, but may sell them prior to maturity in response to changes in interest rates, changes in prepayment risk, changes in the liquidity needs of the Bank, and other factors. Securities for which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down treated as a component of securities available for sale transactions, net in the consolidated statement of income. Securities that the Corporation has the positive intent and ability to hold to maturity would be classified as held to maturity and reported at cost. As more fully discussed in NOTE THIRTEEN, the Corporation had a nominal amount of trading assets at December 31, 2001, which are carried at fair value. These trading assets are held for possible resale in the near term and changes in their fair value are reflected in the statement of income. The fair value of trading account assets is based on quoted market prices.

Gains and losses on sales of securities are recognized when realized on the trade date on a specific identification basis. Premiums and discounts are amortized into interest income using a level yield method.

Loans

Loans are carried at their principal amount outstanding. Interest income is recorded as earned on an accrual basis. The determination to discontinue the accrual of interest is based on a review of each loan. Generally, accrual of interest is discontinued on loans 90 days past due as to principal or interest unless in management's opinion collection of both principal and interest is assured by way of collateralization, guarantees or other security and the loan is in the process of collection. Loans are returned to accrual status when management determines, based on an evaluation of the underlying collateral together with the borrower's payment record and financial condition, that the borrower has the ability and intent to meet the contractual obligations of the loan agreement.

Management considers a loan to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors that influence management's judgment include, but are not limited to, loan payment pattern, source of repayment, and value of collateral. A loan would not be considered impaired if an insignificant delay in loan payment occurs and management expects to collect all amounts due. The major sources for identification of loans to be evaluated for impairment include past due and nonaccrual reports, internally generated lists of loans of certain risk grades, and regulatory reports of examination.

The Corporation uses the allowance method to provide for loan losses. Accordingly, all loan losses are charged to the allowance for loan losses and all recoveries are credited to it. The provision for loan losses is based on past loan loss experience and other factors, which in management's judgment, deserve current recognition in estimating probable loan losses. Such other factors considered by management include the growth and composition of the loan portfolio, and current economic conditions.

Allowances for loan losses related to loans that are identified as impaired in accordance with the impairment policy set forth above are based on discounted cash flows using the loans' initial interest rates or the fair value of the collateral if the loans are collateral dependent. Large groups of smaller-balance, homogenous loans that are collectively evaluated for impairment (residential mortgage, consumer installment, and certain commercial loans) are excluded from this impairment evaluation and their allowance is calculated in accordance with the allowance for loan losses policy discussed above.

Management considers the allowance for loan losses adequate to cover inherent losses in the Bank's loan portfolio as of the date of the financial statements. Management believes it has established the

allowance in consideration of the current economic environment. While management uses the best information available to make evaluations, future additions to the allowance may be necessary based on changes in economic and other conditions. Additionally, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowances for loan losses. Such agencies may require the recognition of adjustments to the allowances based on their judgments of information available to them at the time of their examinations.

Mortgage loans held for sale are valued at the lower of cost or market as determined by outstanding commitments from investors or current investor yield requirements, calculated on an aggregate loan basis.

Derivative Instruments

Statement of Financial Accounting Standards No. 133 (SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities," establishes accounting and reporting standards for derivatives and hedging activities. It requires that all derivatives be recognized as assets or liabilities on the balance sheet and that such instruments be carried at fair value through adjustments to either other comprehensive income or current earnings or both, as appropriate. SFAS No. 133 was originally effective for financial statements issued for all fiscal quarters of fiscal years beginning after June 15, 1999. The implementation date of SFAS No. 133 was delayed by Statement of Financial Accounting Standards No. 137 "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133" to the first fiscal quarters of fiscal years beginning after June 15, 2000. Accordingly, the Corporation adopted SFAS No. 133 on January 1, 2001. The impact to the Corporation upon adoption was immaterial.

The Corporation evaluates the impact of SFAS No. 133 on all new products introduced, contracts negotiated, and transactions contemplated to determine whether a derivative exists and its financial impact. As of December 31, 2001, the Corporation had no derivative instruments outstanding that are required to be accounted for in accordance with SFAS No. 133. During 2001, the Corporation recognized $2.6 million on premiums on written over-the-counter covered call options on fixed income securities.

Servicing Rights

In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 140 (SFAS No. 140), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments

of Liabilities- a replacement of FASB Statement 125", which revises the criteria for accounting for securitizations and other transfers of financial assets and collateral, and introduces new disclosures. The enhanced disclosure requirements were effective for year-end 2000. The other provisions of SFAS No. 140 apply prospectively to transfers of financial assets and extinguishments of liabilities occurring after March 31, 2001. Accordingly, the Corporation adopted SFAS No. 140 on April 1, 2001. The impact to the Corporation upon adoption was not significant.

Servicing rights are capitalized when mortgage loans are either securitized or sold. The cost of servicing rights is amortized in proportion to and over the estimated period of net servicing revenues.

The carrying value and aggregate estimated fair value of mortgage servicing rights at December 31, 2001 was $3.0 million and $3.2 million, respectively, compared to a carrying value and estimated fair value of $1.7 million and $2.1 million at December 31, 2000. Servicing rights are periodically evaluated for impairment based on their fair value. This fair value is estimated based on market prices for similar assets and on the discounted estimated present value of future net cash flows based on market consensus loan prepayment estimates, historical prepayment rates, interest rates and other economic factors. For purposes of impairment evaluation, the servicing assets are stratified based on predominant risk characteristics of the underlying loans, including loan type (conventional or government) and note rate. At December 31, 2001, the Corporation had a valuation allowance of $263,000 related to its servicing rights. No valuation allowance was required at December 31, 2000 or 1999.

The following is an analysis of capitalized mortgage servicing rights included in other assets in the consolidated balance sheets:

	Capitalized M Servicing	
(Dollars in thousands)	2001	2000
Balance, January 1,	$ 1,659	$ 1,5
Servicing rights capitalized	2,472	4
Amortization expense	(840)	(3
Change in valuation allowance	(263)	
Balance, December 31,	$ 3,028	$ 1,6

Loan Fees and Costs

Nonrefundable loan fees and certain direct costs associated with originating or acquiring loans are deferred and recognized over the contractual life of the related loans as an adjustment to interest income.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation and amortization of premises and equipment are computed using the straight-line method over the estimated useful lives. Useful lives range from three to ten years for furniture and equipment, from fifteen to fifty years for buildings and over the shorter of the estimated useful lives or the terms of the respective leases for leasehold improvements.

Foreclosed Properties

Foreclosed properties are included in other assets and represent real estate acquired through foreclosure or deed in lieu thereof and are carried at the lower of cost or fair value, less estimated costs to sell. Generally the fair values of such properties are evaluated annually and the carrying value, if greater than the estimated fair value less costs to sell, is adjusted with a charge to income.

Intangible Assets

Identifiable intangibles and goodwill arising from business/financial center acquisitions result from the Corporation paying amounts in excess of fair value for the net assets acquired. Through December 31, 2001, intangible assets are amortized on a straight-line basis over periods up to 15 years.

The Corporation adopted effective June 30, 2001, the provisions of Statement of Financial Accounting Standards No. 141 (SFAS No. 141) "Business Combinations" and will adopt effective January 1, 2002, Statement of Financial Accounting Standards No. 142 (SFAS No. 142) "Goodwill and Other Intangible Assets." SFAS 141 requires, upon adoption of SFAS 142, that the Corporation evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in SFAS 141 for recognition apart from goodwill. Upon adoption of SFAS 142, the Corporation will be required to reassess the useful lives and residual values of all identifiable intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, any intangible asset classified as goodwill under SFAS 142 will be subjected to a transitional impairment test during the first six months of 2002 based on the level of goodwill as of January 1, 2002. Any impairment losses identified as a result of this transitional impairment test will be recognized in the 2002 statement of income as the effect of a change in accounting principle.

As of December 31, 2001, the Corporation had intangible assets totaling $19.2 million. Management has evaluated the Corporation's existing intangible assets and goodwill and will make appropriate reclassifications on January 1, 2002, in order to conform to the new criteria in SFAS 141 for recognition apart from goodwill, as further described below.

The Corporation has determined that upon adoption of SFAS 142 on January 1, 2002, the Corporation had $6.0 million of goodwill that will no longer be amortized beginning in 2002. The amortization expense associated with this goodwill during the years ended December 31, 2001, 2000 and 1999 was $441,000, $363,000 and $203,000, respectively. In accordance with SFAS 142, the Corporation will perform a transitional impairment test of this goodwill in the first six months of 2002, and will perform an annual impairment test of the goodwill in 2002 and thereafter.

At December 31, 2001, the Corporation also had approximately $709,000 of identified intangible assets (primarily book of business agreements and noncompete agreements) which will continue to be amortized over their useful lives (which range from 3 to 15 years) in accordance with SFAS 142. The amortization expense associated with these identified intangible assets during the years ended December 31, 2001, 2000 and 1999 was $263,000, $277,000, and $163,000, respectively, and is expected to be $254,000 (unaudited) for 2002.

The remaining intangible assets, totaling $12.4 million at December 31, 2001, relate to acquisitions of branches that are being accounted for in accordance with Statement of Financial Accounting Standards No. 72 (SFAS 72), "Accounting for Certain Acquisitions of Banking and Thrift Institutions." SFAS 72, which was not amended by SFAS 142, requires that identified intangible assets and unidentified intangible assets associated with certain acquisitions of branches be amortized into expense. Accordingly, these intangible assets will continue to be amortized over their useful lives (generally 10 to 15 years). Management periodically reviews the useful lives of these assets and adjusts them downward where appropriate. The amortization expense associated with these branches was $1.2 million, $506,000, and $588,000 for the years ended December 31, 2001, 2000 and 1999, respectively, and is expected to be $1.1 million (unaudited) for the year ending December 31, 2002.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Income and Expense Recognition

Items of income and expense are recognized using the accrual basis of accounting, except for some immaterial amounts that are recognized when received or paid.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are sold for one-day periods.

Equity Method Investments

The Corporation's equity method investments represent investments in venture capital limited partnerships which invest in early stage companies.

The Corporation's recognition of earnings or losses from equity method investees is determined by the Corporation's share of the investee's earnings on a quarterly basis. The limited partnerships provide their quarterly financial information on a quarter lag basis, so the Corporation's policy is to record its share of earnings or losses on these equity method investments on a quarter lag basis.

These limited partnerships record their investments in investee companies on a fair value basis, with changes in the underlying fair values being reflected as an adjustment to their earnings in the period such changes are determined. The earnings of these limited partnerships, and therefore the amount recorded on an equity-method basis by the Corporation, are impacted significantly by changes in the underlying value of the companies in which these limited partnerships invest. All of the companies in which these limited partnerships invest are privately held, and their market values are not readily available. Estimations of these values are made quarterly by the management of the limited partnerships, and are subject to review by the Corporation for reasonableness. The assumptions in the valuation of these investments by the limited partnerships include the viability of the business model, the ability of the company to obtain alternative financing, their ability to generate revenues in future periods and other subjective factors. Given the inherent risks associated with this type of investment in the current economic environment, there can be no guarantee that there will not be widely varying gains or losses on these equity method investments in future periods.

At December 31, 2001 and 2000 the total investment in equity method investees was $8.7 million and $8.5 million, respectively, and is included in other assets on the consolidated balance sheet. At December 31, 2001, the Corporation's remaining commitment to fund the equity method investees was $925,000, all of which is callable in 2002. This remaining commitment is unrelated to the limited partnership discussed in NOTE TWENTY.

Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding for the year. Diluted net income per share reflects the potential dilution that could occur if the Corporation's potential common stock and contingently issuable shares, which consist of dilutive stock options, restricted stock and shares issuable under the Corporation's share repurchase agreement (see NOTE FOURTEEN) were issued. The numerators of the basic net income per share computations are the same as the numerators of the diluted net income per share computations for all periods presented. The effect of potential common stock is excluded from the computation of diluted earnings per common share in periods in which the effect would be antidilutive. A reconciliation of the denominator of the basic net income per share computations to the denominator of the diluted net income per share computations is as follows:

	Years Ended Dece	
	2001	2000
Basic net income per share denominator:		
Weighted average number of common shares outstanding	31,480,109	31,435,34
Dilutive effect arising from potential common stock	180,876	144,98
Diluted net income per share denominator	31,660,985	31,580,32

Dividends Per Share

Dividends declared by the Corporation were $0.72 per share, $0.70 per share and $0.68 per share for the years ended December 31, 2001, 2000 and 1999, respectively. Dividends declared by Carolina First were $0.10 per share and $0.40 per share for the years ended December 31, 2000 and 1999, respectively.

Stock-Based Compensation

The Corporation accounts for stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. The pro forma impact on net income and net income per share as if the fair value of stock-based compensation plans had been recorded as a component of compensation expense in the consolidated financial statements as of the date of grant of awards related to such plans, pursuant to the provisions of the Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation, is disclosed in NOTE FOURTEEN.

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NOTE TWO - BUSINESS SEGMENT INFORMATION

For 2001, 2000, and 1999 the Corporation only had one reportable segment, FCB. FCB provides businesses and individuals with commercial loans, retail loans, and deposit banking services. Other operating segments include brokerage, insurance, mortgage and financial management which provides comprehensive financial planning, funds management, and investments.

Business segments are determined based on the Corporation's internal management accounting process. The internal management accounting process, unlike financial accounting in accordance with generally accepted accounting principles, is based on the way management views its business and is not necessarily comparable with information disclosed by other financial institutions. The accounting policies of the business segments differ from those describe in NOTE ONE in that management allocations have been made for overhead expense and transfer pricing. The results of operations and segment assets are based upon monthly internal management reports. There are no significant intersegment transactions and there are no significant reconciling items between the reportable segments and consolidated amounts.

Information regarding the reportable segment's separate results of operations and segment assets is illustrated in the following tables:

	2001	
(DOLLARS IN THOUSANDS)	FCB	OTHER OPERATING SEGMENTS (1)
TOTAL INTEREST INCOME	$ 214,570	$ 490
TOTAL INTEREST EXPENSE	109,719	-
NET INTEREST INCOME	104,851	490
PROVISION FOR LOAN LOSSES	4,465	-
TOTAL NONINTEREST INCOME	23,936	15,053
TOTAL NONINTEREST EXPENSE	74,010	13,593
NET INCOME BEFORE INCOME TAXES	50,312	1,950
INCOME TAXES	16,166	657

NET INCOME	$ 34,146	$ 1,293
TOTAL LOANS, NET	$ 1,919,902	$ 9,150
TOTAL ASSETS	3,285,543	20,715

	2000	
(Dollars in thousands)	FCB	Other Operating Segments (1)
Total interest income	$ 214,924	$ 964
Total interest expense	107,763	551
Net interest income	107,161	413
Provision for loan losses	7,615	-
Total noninterest income	14,594	12,906
Total noninterest expense	80,071	11,838
Net income before income taxes	34,069	1,481
Income taxes	12,009	478
Net income	$ 22,060	$ 1,003
Total loans, net	$ 2,124,714	$ 4,246
Total assets	2,892,774	19,482

	1999	
(Dollars in thousands)	FCB	Other Operating Segments (1)
Total interest income	$ 193,602	$ 337
Total interest expense	90,084	162
Net interest income	103,518	175
Provision for loan losses	5,005	-
Total noninterest income	17,135	10,598
Total noninterest expense	67,073	8,828
Net income before income taxes	48,575	1,945
Income taxes	15,592	488
Net income	$ 32,983	$ 1,457

(1) Included in other operating segments are revenues, expenses and assets of insurance services, brokerage, mortgage and

financial management.

(2) Included in "other" are revenues, expenses and assets of the parent company and eliminations.

NOTE THREE - MERGERS AND ACQUISITIONS

(a) Insurance Agencies. Since 1999, the Corporation has acquired five insurance agencies using the purchase accounting method. The year over year increases we have experienced in insurance services income is due to the organic growth from our insurance agencies as well as the five insurance agencies acquired. The five insurance agencies acquired since 1999 and the respective date of acquisition include: Franklin Brown Company (January 31, 1999), J. L. Suttle, Jr. and Co., Inc. (December 31, 1999), Faulkner Investments, Inc. (January 1, 2000), Banner and Greene Agency, Inc. (April 1, 2001), and Hoffman & Young, Inc. (July 31, 2001). Pro forma financial information reflecting the effect of these acquisitions on periods prior to the combination are not considered material.

(b) Branch Purchase. On November 17, 2000, the Corporation purchased four financial centers with total loans of $9.4 million and total deposits of $88.3 million. Approximately $8.6 million of intangible assets were recorded as a result of this transaction. The financial centers are located in Bryson City, Jefferson, West Jefferson and Sparta, North Carolina.

(c) Business Insurers of Guilford County. On September 1, 2000, Business Insurers of Guilford County ("Business Insurers") was merged into First Charter Insurance Services. As a result of this merger, approximately 283,000 shares of the Corporation's common stock were issued. This merger was accounted for as a pooling of interests, and accordingly all financial results for prior periods have been restated to include the financial results of both entities. In connection with the Business Insurers merger, the Corporation recorded pre-tax restructuring charges and merger-related expenses of approximately $575,000 ($425,000 after-tax), all of which had been incurred at December 31, 2001.

(d) Carolina First BancShares, Inc. On April 4, 2000, Carolina First BancShares, Inc. ("Carolina First") was merged into the Corporation (the "Merger"). Carolina First was a bank holding company operating 31 branch offices principally in the greater Charlotte, North Carolina area. At April 4, 2000, Carolina First had total consolidated assets of approximately $791.7 million, total consolidated loans of approximately $545.9 million, total consolidated deposits of approximately $674.8 million and total consolidated shareholders' equity of approximately $67.5 million.

In accordance with the terms of the Merger Agreement, each share of the $2.50 par value common stock of Carolina First was converted into 2.267 shares of the no par value common stock of the Corporation, resulting in the net issuance of approximately 13.3 million common shares to the former Carolina First shareholders. The Merger was accounted for as a pooling of interests, and accordingly all financial results for prior periods have been restated to include the financial results of both entities.

In connection with this transaction, the Corporation recorded pre-tax restructuring charges and merger-related expenses of approximately $15.7 million ($11.9 million after-tax), which consisted of approximately $4.8 million in employee related costs, $4.1 million of equipment expenses, $3.9 million of

professional costs, $0.9 million of lease buyouts, $0.7 million of conversion

costs and $1.3 million of other merger costs. At December 31, 2001, substantially all of the Carolina First restructuring charges and merger-related expenses have been incurred.

NOTE FOUR - COMPREHENSIVE INCOME

Comprehensive income includes net income and all non-owner changes to the Corporation's equity. The Corporation's only component of other comprehensive income is the change in unrealized gains and losses on available for sale securities.

The Corporation's total comprehensive income for the years ended December 31, 2001, 2000 and 1999 was $39.1 million, $34.3 million and $21.4 million, respectively. Information concerning the Corporation's other comprehensive income for the year ended December 31, 2001, 2000 and 1999 is as follows:

	2001			2000		
(Dollars in thousands)	Before Tax Amount	Tax Effect	After Tax Amount	Before Tax Amount	Tax Effect	After Tax Amount
Unrealized gains/(losses) on securities:						
Unrealized gains (losses) arising during period	$8,630	$3,366	$5,264	$ 11,146	$ 4,347	$ 6,799
Less: Reclassification for realized gains (losses)	2,399	936	1,463	(4,303)	(1,678)	(2,625)
Unrealized gains (losses), net of reclassification	$6,231	$2,430	$3,801	$ 15,449	$ 6,025	$ 9,424
Other comprehensive income (loss)	$6,231	$2,430	$3,801	$ 15,449	$ 6,025	$ 9,424

NOTE FIVE - SECURITIES AVAILABLE FOR SALE

Securities available for sale at December 31, 2001 and 2000 are summarized as follows:

	2001	
(Dollars in thousands)	AMORTIZED COST	GROSS UNREALIZED GAINS
US government agency obligations	$ 284,504	$ 4,723
Mortgage-backed securities	652,260	9,513
State, county, and municipal obligations	86,339	1,614
Equity securities	44,684	1,232
TOTAL	$ 1,067,787	$ 17,082

	2000	
(Dollars in thousands)	AMORTIZED COST	GROSS UNREALIZED GAINS
US government agency obligations	$ 157,760	$ 1,491
Mortgage-backed securities	151,097	2,387
State, county, and municipal obligations	93,797	900
Equity securities	35,030	903
TOTAL	$ 437,684	$ 5,681

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The expected maturity distribution and yields (computed on a taxable-equivalent basis assuming a 35 percent federal tax rate) of the Corporation's securities portfolio at December 31, 2001 are summarized below. Actual maturities may differ from contractual maturities since borrowers may have the right to pre-pay these obligations without pre-payment penalties.

	Due in 1 year or less		Due after 1 through 5 years		Due after 5 through 10 years		
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amo
FAIR VALUE OF SECURITIES AVAILABLE FOR SALE							
U.S. government agency obligations	$ --	--%	$ 140,069	5.53%	$ 142,163	5.70%	$ 6
Mortgage-backed securities (1)	5,438	6.25	394,630	6.77	255,622	5.83	
State and municipal obligations	7,367	7.95	34,560	6.72	32,254	6.87	13
Equity securities (2)	--	--	--	--	--	--	45
Total	$12,805	7.23%	$ 569,259	6.46%	$ 430,039	5.86%	$ 65
AMORTIZED COST OF SECURITIES AVAILABLE FOR SALE	$12,636		$ 558,155		$ 432,748		$ 64

(1) Maturities estimated based on average life of security.
(2) Although equity securities have no stated maturity, they are presented for illustrative purposes only.

Securities with an aggregate carrying value of $730.9 million at

December 31, 2001 were pledged to secure public deposits, securities sold under agreements to repurchase and Federal Home Loan Bank ("FHLB") borrowings. Proceeds from the sale of securities available for sale were $549.4 million in 2001, $212.1 million in 2000, and $68.0 million in 1999. Gross gains of $2.7 million and gross losses of $0.3 million were realized in 2001. Gross gains of $2.6 million and gross losses of $6.9 million were realized in 2000. Gross gains of $2.0 million and gross losses of $1.0 million were realized in 1999.

At December 31, 2001 and 2000, the Bank owned stock in the Federal Home Loan Bank of Atlanta with a cost basis (par value) of $32.4 million and $22.8 million, respectively, which is included in equity securities. While these securities have no quoted fair value, they are generally redeemable at par value from the FHLB.

Other-than-temporary declines in the fair value of certain equity securities held in the Corporation's available for sale portfolio resulted in write downs of $144,000, $1.6 million and $66,000 in 2001, 2000 and 1999, respectively.

Due to changes in interest rates during 2001, and the resulting impact on the Corporation's interest rate risk, the Corporation securitized $167.0 million of mortgage loans in 2001 which are now classified as mortgage-backed securities in our available for sale portfolio. In connection with the securitization, the Corporation recorded mortgage servicing rights of $2.5 million and recorded a corresponding discount on the basis of the related mortgage-backed securities.

In connection with the merger with Carolina First in 2000, FCB transferred Carolina First's securities held to maturity of $35.3 million to securities available for sale due to the impact of these securities on the Corporation's interest rate risk as compared to corporate policy.

As of December 31, 2001, there were no issues of securities available for sale (excluding U.S. government agency obligations) which had carrying values that exceeded 10 percent of shareholders' equity of the Corporation.

As of December 31, 2001 and 2000, there were no securities classified as held to maturity.

NOTE SIX - TRADING ACTIVITY

During 2001, the Corporation engaged in writing over-the-counter covered call options on specific fixed income securities in the available for sale portfolio in order to enhance returns. Under these agreements the Corporation agrees to sell, upon election by the optionholder, a fixed income security at a fixed price. The Corporation receives a premium from the optionholder in exchange for writing the option contract. For the year ended December 31, 2001, the Corporation recognized income of $2.6 million from writing covered call options. There were no written covered call options outstanding at December 31, 2001, and there were no such contracts written during 2000 or 1999.

NOTE SEVEN - LOANS

The Corporation's primary market area includes North Carolina, and predominately centers around the Metro region of Charlotte, North Carolina. At December 31, 2001, the majority of the total loan portfolio, as well as a substantial portion of the commercial and real estate loan portfolios, were to

borrowers within this region. The diversity of the region's economic base provides a stable lending environment. No areas of significant concentrations of credit risk have been identified due to the diverse industrial base in the region.

Loans at December 31, 2001 and 2000 were:

(Dollars in thousands)	2001 AMOUNT
Commercial, financial and agricultural	$ 213,578
Real estate - construction and development	338,705
Real estate - commercial	547,069
Real estate - mortgage	729,113
Installment	126,621
TOTAL	$ 1,955,086
Nonaccrual loans	$ 23,824
Restructured loans	--
TOTAL NONPERFORMING LOANS	23,824
Other real estate	8,049
TOTAL NONPERFORMING ASSETS	31,873
Loans 90 days or more past due and still accruing	152
TOTAL NONPERFORMING ASSETS AND LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING	$ 32,025

Mortgage loans held for sale are included in real estate mortgage loans and are carried at the lower of aggregate cost or market. Mortgage loans held for sale were $7.3 million and $5.1 million at December 31, 2001 and 2000, respectively.

Due to changes in interest rates during 2001, and the resulting impact on the Corporation's interest rate risk, the Corporation securitized $167.0 million of mortgage loans in 2001 which are now classified as mortgage backed securities in our available for sale portfolio. The Corporation recorded $2.5 million in mortgage servicing rights and a corresponding discount on the basis of the related mortgage-backed securities.

Due to changes in interest rates during 2000, and the resulting impact on the Corporation's interest rate risk, the Corporation classified $45.3 million in lower-yielding mortgage loans as held for sale during 2000. The Bank entered into agreements for the sale of these loans, with the sales closing in May of 2000. The loans were sold with servicing rights retained. The Corporation recognized a loss of approximately $99,000 on the sales transaction and recorded $0.4 million in servicing rights.

Residential real estate loans are presented net of loans serviced for others totaling $274.4 million and $182.9 million at December 31, 2001 and 2000, respectively.

Interest income that would have been recorded on nonaccrual loans and restructured loans for the years ended December 31, 2001, 2000, and 1999, had they performed in accordance with their original terms, amounted to approximately $2.2 million, $2.3 million, and $1.0 million, respectively. Interest income on all such loans included in the results of operations for 2001, 2000 and 1999 amounted to approximately $1.0 million, $1.3 million, and $0.4 million, respectively.

The recorded investment in individually impaired loans was $14.2 million (of which $11.9 million was on nonaccrual status) and $17.7 million (all of which was on nonaccrual status) at December 31, 2001 and 2000, respectively. The related allowance for loan losses on these loans was $1.8 million and $4.7 million at December 31, 2001 and 2000, respectively. The average recorded investment in individually impaired loans for 2001 was $17.1 million, and the income recognized during 2001 was $0.2 million, all of which was recognized using the cash method of income recognition. The average recorded investment in individually impaired loans for 2000 was $16.7 million, and the income recognized during 2000 was $0.3 million, all of which was recognized using the cash method of income recognition. The average recorded investment in individually impaired loans for 1999 was $8.9 million, and the income recognized during 1999 was $0.4 million, all of which was recognized using the cash method of income recognition.

The following is a reconciliation of loans outstanding to executive officers, directors and their associates for the year ended December 31, 2001:

	(Dollars in thousands)
Balance at December 31, 2000	$ 13,759
New loans	235
Principal repayments	(10,231)
Balance at December 31, 2001	$ 3,763

In the opinion of management, these loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other borrowers. Such loans, in the opinion of management, do not involve more than the normal risks of collectibility.

NOTE EIGHT - ALLOWANCE FOR LOAN LOSSES

The following is a summary of the changes in the allowance for loan losses for each of the years in the three-year period ended December 31, 2001, 2000 and 1999:

(Dollars in thousands)	2001	2000
Beginning balance	$28,447	$ 25,002

Provision for loan losses	4,465	7,615
Allowance related to loans sold and securitized	(417)	(113)
Charge-offs	7,406	5,063
Recoveries	754	1,006
Net loan charge-offs	6,652	4,057
ENDING BALANCE	$25,843	$ 28,447

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NOTE NINE - PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2001 and 2000 are summarized as follows:

(Dollars in thousands)	20
Land	$ 21
Buildings	65
Furniture and equipment	45
Leasehold improvements	2
Construction in progress	
TOTAL PREMISES AND EQUIPMENT	135
Less accumulated depreciation and amortization	38
PREMISES AND EQUIPMENT, NET	$ 96

NOTE TEN - DEPOSITS

A summary of deposit balances at December 31, 2001 and 2000 is as follows:

(Dollars in thousands)	2001	
Noninterest bearing demand	$ 276,698	$
Interest bearing demand	266,667	
Money market accounts	286,653	
Savings deposits	111,674	
Certificates of deposit	1,221,252	1
TOTAL DEPOSITS	$ 2,162,945	$ 1

At December 31, 2001, the aggregate amount of certificates of deposit with denominations greater than $100,000 was $619.3 million, with $181.8 million

maturing within three months, $125.3 million maturing within three to six months, $208.5 million maturing within six to twelve months and $103.7 million maturing after twelve months.

At December 31, 2001, the scheduled maturities of all certificates of deposit are as follows:

(Dollars in thousands)	
2002	$ 1,012,566
2003	130,048
2004	39,897
2005	8,897
2006	28,726
2007 and after	1,118
TOTAL	$ 1,221,252

NOTE ELEVEN - OTHER BORROWINGS

The following is a schedule of other borrowings:

(Dollars in thousands)	Balance as of December 31,	Interest Rate as of December 31,	Average Balance
2001			
Federal funds purchased and securities sold under agreements to repurchase	$ 137,282	2.43%	$ 130,863
FHLB borrowings	639,370	4.34	514,991
Other	31,860	1.87	6,444
TOTAL	$ 808,512		$652,298

(Dollars in thousands)	Balance as of December 31,	Interest Rate as of December 31,	Average Balance
2000			
Federal funds purchased and securities sold under agreements to repurchase	$ 114,328	5.65%	$ 112,625
FHLB borrowings	455,696	6.06	443,918

Other	--	--	316
TOTAL	$ 570,024		$ 556,859

Federal funds purchased represent unsecured overnight borrowings from other financial institutions by the Bank. Securities sold under agreements to repurchase represent short-term borrowings by the Bank with maturities ranging from 1 to 89 days collateralized by a portion of the Corporation's securities of the United States government or its agencies, which have been delivered to a third party custodian for safekeeping.

At December 31, 2001, FCB had one available line of credit with the FHLB totaling $736.8 million with approximately $639.4 million outstanding. The outstanding amounts consisted of $156.0 million maturing in 2002, $30.0 million maturing in 2003, $25.0 million maturing in 2004, $65.0 million in 2006, $76.0 million maturing in 2009, $107.0 million maturing in 2010 and $180.4 million maturing in 2011. In addition, the FHLB requires banks to pledge collateral to secure the advances as described in the line of credit agreement. The collateral consists of FHLB stock and qualifying 1-4 family residential mortgage loans.

At December 31, 2001, FCB also had federal funds back-up lines of credit totaling $50.0 million, of which there were no amounts outstanding.

At December 31, 2001, the Corporation had lines of credit with SunTrust Bank totaling $25.0 million with $15.0 million outstanding and commercial paper outstandings of $16.9 million.

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NOTE TWELVE - INCOME TAX

Total income taxes for the years ended December 31, 2001, 2000 and 1999 were allocated as follows:

	Years end	
(Dollars in thousands)	2001	
Net income	$ 16,768	$
Shareholders' equity, for unrealized gains (losses) on securities available for sale	2,430	
TOTAL	$ 19,198	$

Income tax expense (benefit) attributable to income consists of:

	Years en
(Dollars in thousands)	2001

CURRENT:		
Federal	$ 14,679	$
State	125	
TOTAL CURRENT	$ 14,804	$
DEFERRED:		
Federal	$ 1,704	$
State	260	
TOTAL DEFERRED	$ 1,964	$
TOTAL INCOME TAXES:		
Federal	$ 16,383	$
State	385	
TOTAL INCOME TAXES	$ 16,768	$

Income tax expense attributable to net income was $16.8 million, $13.3 million and $16.5 million for the years ended December 31, 2001, 2000 and 1999, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 35 percent to pretax income as a result of the following:

	Years ended Decembe			
(Dollars in thousands)	2001		2000	
Computed "expected" tax expense	$ 18,233	35.00 %	$ 13,354	35
Increase (reduction) in income taxes resulting from:				
Tax exempt income	(1,526)	(2.93)	(1,594)	(4
Nondeductible merger expenses	--	--	1,733	4
State income tax, net of federal benefits	241	0.46	(137)	(0
Other, net	(180)	(0.34)	(44)	(0
Total	$ 16,768	32.19 %	$ 13,312	34

The significant components of deferred income tax expense for the years ended December 31, 2001, 2000 and 1999 are as follows:

	Years ende
(Dollars in thousands)	2001

Net income	$ 16,768	$
Shareholders' equity, for unrealized gains (losses) on securities available for sale	2,430	
TOTAL	$ 19,198	$

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000 are presented below.

(Dollars in thousands)	
DEFERRED TAX ASSETS:	
Allowance for loan loss	$
Accrued expenses deductible when paid for tax purposes	
Deferred compensation	
Intangibles	
Other	
TOTAL GROSS DEFERRED TAX ASSETS	
Less valuation allowance	
NET DEFERRED TAX ASSETS	
DEFERRED TAX LIABILITIES:	
Unrealized gains on securities available for sale	
Depreciable basis of fixed assets	
Federal Home Loan Bank of Atlanta stock	
Bad debt reserve recapture, tax accounting adjustment	
Market adjustment for investment in partnership interest	
Other	
Total gross deferred tax liabilities	
NET DEFERRED TAX ASSETS	$

The valuation allowance for deferred tax assets was $0 as of both January 1, 2001 and 2000. There was no change in the total valuation allowance during 2001 and 2000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income prior to the expiration of the deferred tax assets governed by the tax code. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2001. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are

reduced.

At December 31, 2001, the Company did not have any operating loss carryforwards for federal income tax purposes.

Tax returns for 1998 and subsequent years are subject to examination by taxing authorities.

Retained income at December 31, 2001 and 2000 includes approximately $7.2 million (tax effect) representing pre-1988 tax bad debt reserve base year reserve amount for which no deferred income tax liability has been provided since these reserves are not expected to reverse and may never reverse.

Circumstances that would require an accrual of a portion or all of this unrecorded tax liability are a reduction in qualifying loan levels relative to the end of 1987, failure to meet the definition of a bank, dividend payments in excess of current year or accumulated tax earnings and profits, or other distributions in dissolution, liquidation or redemption of the Corporation's stock.

NOTE THIRTEEN - EMPLOYEE BENEFIT PLANS

401(k) Plan and Money Purchase Pension Plan. The Corporation has a qualified Retirement Savings Plan (401(k) Plan) for all eligible employees of the Corporation. Pursuant to the Savings Plan, an eligible employee may elect to defer between 1 percent and 10 percent of compensation and invest those in a variety of investment options, including the Corporation's stock. At the discretion of the Board of Directors, the Corporation may contribute an amount necessary to match all or a portion of a participant's elective deferrals, utilizing the same investment options chosen by the employee, in an amount to be determined by the Board of Directors from time to time, up to a maximum of 6 percent of a participant's compensation. In addition, the Corporation may contribute an additional amount to each participant's Savings Plan account as determined at the discretion of the Board of Directors. The Corporation adopted a qualified Money Purchase Pension Plan effective January 1, 1997 for all eligible employees of the Corporation. Pursuant to the Money Purchase Pension Plan, the Corporation contributes annually to each participant's Plan account an amount equal to 3 percent of the participant's compensation. Prior to 1997, such contributions were made to the Savings Plan. The Corporation's aggregate contributions to the Savings Plan and Money Purchase Pension Plan amounted to $2.6 million, $2.0 million and $1.2 million for 2001, 2000 and 1999, respectively. Effective December 31, 2001 the 401(k) Plan and the Money Purchase Pension Plan were merged into one plan.

First Charter Option Plan Trust. Effective December 1, 2000, the Corporation approved and adopted a non-qualified compensation deferral arrangement called the First Charter Option Plan Trust (the "OPT Plan"). The OPT Plan is a tax-deferred capital accumulation plan. Under the OPT Plan, qualified participants may elect to defer up to 50 percent of their base salary and receive salary options on mutual fund investments. In addition, the Corporation may grant participants bonus options in lieu of cash bonuses. Participants are offered the opportunity to direct an administrative committee to invest in separate investment funds with distinct investment objectives and risk tolerances. Eligible employees for the OPT Plan include executive management as well as key members of senior management. Deferrals of compensation obligation pursuant to this plan was $192,000 at December 31, 2001 and was insignificant in 2000. Plan assets, which are held in a Rabbi Trust, totaled $192,000 at December 31, 2001, and are classified as trading assets.

First Charter Directors' Option Deferral Plan. Effective May 1, 2001 the Corporation approved and adopted a non-qualified compensation deferral arrangement called the First Charter Corporation Directors' Option Deferral Plan (the "Plan"). Under the Plan, eligible directors may elect to defer all of their director's fees and receive option grants on mutual fund investments. Participants are offered the opportunity to direct an administrative committee to invest in separate investment funds with distinct investment objectives and risk tolerances. Deferrals of compensation pursuant to this plan amounted to $9,000 for 2001. Plan assets, which are held in a Rabbi Trust, totaled $9,000 at December 31, 2001, and are classified as trading assets.

NOTE FOURTEEN - SHAREHOLDERS' EQUITY, STOCK PLANS AND STOCK AWARDS

Stock Repurchase Programs. On April 27, 2001, the Corporation's Board of Directors authorized the repurchase of up to 1 million shares of the Corporation's common stock. Through December 31, 2001, the Corporation had repurchased all shares of its common stock authorized in open market transactions at an average per-share price of approximately $17.96, which reduced shareholders' equity by $18.0 million.

On December 21, 2001, the Corporation entered into a share repurchase agreement with a third party for 493,000 shares of its common stock. The transaction will be settled with the counterparty during the second quarter of 2002 based on the average of the Corporation's stock price during the term of the agreement. The Corporation has structured the agreement so as to account for the repurchase as equity in accordance with Emerging Issues Task Force (EITF) 00-19. Fluctuations in the value of the Corporation's common stock will not be recognized in the Corporation's consolidated financial statements. The earnings per share calculation assumes that this transaction will settle in shares, so the diluted earnings per share calculations include the potential common shares that would be issued pursuant to this agreement.

On January 23, 2002, the Corporation's Board of Directors authorized the repurchase of up to 1.5 million additional shares of the Corporation's common stock.

Deferred Compensation for Non-Employee Directors. Effective May 1, 2001, the Corporation amended and restated the First Charter Corporation 1994 Deferred Compensation Plan for Non-Employee Directors. Under the Deferred Compensation Plan, eligible directors may elect to defer all or part of their director's fees for a calendar year, in exchange for common stock of the Corporation. The amount deferred, if any, shall be in multiples of 25% of their total director's fees. Each participant is fully vested in his account balance under the plan. The plan generally provides for fixed payments or a lump sum payment, or a combination of both, in shares of common stock of the Corporation after the participant ceases to serve as a director for any reason.

The common stock purchased by the Corporation for this deferred compensation plan is maintained in The First Charter Corporation Directors' Deferred Compensation Trust, a rabbi trust (the "Trust"), on behalf of the participants. The assets of the Trust are subject to the claims of general creditors of the Corporation. Dividends payable on the common shares held by the Trust will be reinvested in additional shares of common stock of the Corporation on behalf of the participants. Since the deferred compensation plan does not provide for diversification of the Trust's assets and can only be settled with a fixed number of shares of the Corporation's common stock, the deferred compensation obligation is classified as a component of shareholders' equity and

the common stock held by the Trust is classified as a reduction of shareholders' equity. Subsequent changes in the fair value of the common stock are not reflected in earnings or shareholders' equity of the Corporation. The obligations of the Corporation under the deferred compensation plan and the shares held by the Trust have no net effect on net income per share.

Shareholders' Rights Plan. On July 19, 2000 the Board of Directors adopted a Shareholder Protection Rights Plan. In connection with the adoption of the plan, the Board declared a dividend of one share purchase right ("Right") on each outstanding share of common stock. Issuances of the Corporation's common stock after August 9, 2000 include Share Purchase Rights. Generally, the Rights will be exercisable only if a person or group acquires 15 percent or more of Corporation's common stock or announces a tender offer. Each Right will entitle stockholders to buy 1/1000 of a share of a new series of junior participating preferred stock of the Company at an exercise price of $80. Prior to the time they become exercisable, the Rights are redeemable for one cent per Right at the option of the Board of Directors.

If the Corporation is acquired after a person has acquired 15 percent or more of its common stock, each Right will entitle its holder to purchase, at the Right's then-current exercise price, a number of shares of the acquiring company's common stock having a market value of twice such price. Additionally, if the Corporation is not acquired, a Rights holder (other than the person or group acquiring 15 percent or more)

will be entitled to purchase, at the Right's then-current exercise price, a number of shares of the Corporation's common stock having a market value of twice such price.

Following the acquisition of 15 percent or more of the common stock, but less than 50 percent by any Person or Group, the Board may exchange the Rights (other than Rights owned by such person or group) at an exchange ratio of one share of common stock for each Right.

The Rights were distributed on August 9, 2000, to stockholders of record as of the close of business on such date. The Rights will expire on July 19, 2010.

Dividend Reinvestment and Stock Purchase Plan. The Corporation maintains the Dividend Reinvestment and Stock Purchase Plan (the "DRIP"), pursuant to which 1,000,000 shares of common stock of the Corporation have been reserved for issuance. Shareholders may elect to participate in the DRIP and have dividends on shares of common stock reinvested and may make optional cash payments of up to $3,000 per calendar quarter to be invested in common stock of the Corporation. Pursuant to the terms of the DRIP, upon reinvestment of the dividends and optional cash payments, the Corporation can either issue new shares valued at the then current market value of the common stock or the administrator of the DRIP can purchase shares of common stock in the open market. During 2001, the Corporation issued 67,648 shares and the administrator of the DRIP purchased 162,007 shares in the open market.

Restricted Stock Award Program. In April 1995, the shareholders approved the First Charter Corporation Restricted Stock Award Program (the "Restricted Stock Plan"). Awards of restricted stock may be made under the Restricted Stock Plan at the discretion of the Compensation Committee of the Board of Directors of the Corporation, which shall determine the key participants, the number of shares awarded to participants, and the vesting terms and conditions applicable to such awards. A maximum of 360,000 shares of

common stock are reserved for issuance under the Restricted Stock Plan. Compensation expense of approximately $87,000 and $77,000 was recognized during 2001 and 2000, respectively, in connection with the Restricted Stock Plan. The following table presents the status of the Restricted Stock Plan as of December 31, 2001 and 2000 and changes during the years then ended:

Outstanding at December 31, 1999
Granted
Vested
Forfeited
Outstanding at December 31, 2000
Granted
Vested
Forfeited
Outstanding at December 31, 2001

First Charter Comprehensive Stock Option Plan. Under the terms of the First Charter Corporation Comprehensive Stock Option Plan (the "Comprehensive Stock Option Plan"), stock options (which can be incentive stock options or non-qualified stock options) may be periodically granted to key employees of the Corporation or its subsidiaries. The terms and vesting schedules of options granted under the Comprehensive Plan generally shall be determined by the Compensation Committee of the Board of Directors of the Corporation (the "Compensation Committee"). However, no options may be exercisable prior to six months following the grant date, and certain additional restrictions, including the term and exercise price, apply with respect to any incentive stock options.

First Charter Corporation Stock Option Plan for Non-Employee Directors. In April 1997, the shareholders approved the First Charter Corporation Stock Option Plan for Non-Employee Directors (the "Director Plan"). Under the Director Plan, non-statutory stock options may be granted to non-employee Directors of the Corporation and its subsidiaries. The terms and vesting schedules of any options granted under the Director Plan generally shall be determined by the Compensation Committee. The exercise price for each option granted, however, shall be the fair value of the common stock as of the date of grant.

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A maximum of 180,000 shares are reserved for issuance under the Director Plan. As of December 31, 2001, approximately 129,000 shares have been granted under the Director Plan.

2000 Omnibus Stock Option and Award Plan. In June 2000, the shareholders approved the First Charter Corporation 2000 Omnibus Stock Option and Award Plan (the "2000 Omnibus Plan"). Under the 2000 Omnibus Plan, 2,000,000 shares of common stock are reserved for issuance. Stock options (which can be incentive stock options or non-qualified stock options) and other stock-based awards may be periodically granted to key employees of First Charter and its Directors. The terms and vesting schedules of options granted under the 2000

Omnibus Plan shall be determined by the Compensation Committee. However, no options may be exercisable prior to six months following the grant date, and certain additional restrictions, including the term and exercise price, apply with respect to any incentive stock options.

Employee Stock Purchase Plans. The Corporation previously adopted an Employee Stock Purchase Plan (the "ESPP") in 1998 and 1996, pursuant to which stock options were granted to employees, based on their eligibility and compensation, at a price of 85% to 90% of the fair market value of the shares at the date of grant. The option and vesting period was generally for a term of two years. A maximum of 180,000 shares are reserved for issuance under the 1996 ESPP and 180,000 shares are reserved for issuance under the 1998 ESPP, which was approved by the shareholders of the Corporation in April 1997.

The Board of Directors of the Corporation determined that it was in the best interest of the Corporation to implement a new employee stock purchase plan that can continue beyond a two-year period, to allow more flexibility with the timing of the grant of, and the exercise periods for, options granted to employees. The 1999 ESPP described below allows for multiple grants of options thereunder and is designed to remain in effect as long as there are shares available under the 1999 ESPP to be granted. Pursuant to the terms of the 1999 ESPP, a maximum of 300,000 shares of the Corporation's Common Stock may be issued to employees under the 1999 ESPP, subject to adjustment generally to protect against dilution in the event of changes in the capitalization of the Corporation.

The 1999 ESPP is administered by the Compensation Committee. The Compensation Committee is able to prescribe rules and regulations for such administration and to decide questions with respect to the interpretation or application of the 1999 ESPP.

The Corporation intends that options granted under the 1999 ESPP will satisfy the requirements of Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder. The 1999 ESPP, however, is not qualified under the provisions of Section 401(a) of the Code and is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Summary of Stock Option and Employee Stock Purchase Plan Programs. The following is a summary of activity under the Comprehensive Plan, the Director Plan, the 2000 Omnibus Plan and the 1999, 1998 and 1996 ESPP's during the periods indicated.

	Option Shares	Option Price Per Share
Outstanding at December 31, 1998	1,687,164	$ 1.65 - 26.75
Granted	338,586	9.04 - 24.88
Exercised	195,593	1.65 - 18.85
Forfeited	33,740	3.86 - 26.75
Outstanding at December 31, 1999	1,796,417	1.89 - 26.75
Granted	340,079	13.00 - 16.81
Exercised	223,546	1.65 - 13.83
Forfeited	60,550	1.85 - 26.38
Outstanding at December 31, 2000	1,852,400	1.85 - 26.75
Granted	536,379	11.21 - 18.19
Exercised	73,621	1.85 - 15.75

Forfeited	105,426	13.55 - 26.75
Outstanding at December 31, 2001	2,209,732	1.85 - 26.75
Shares exercisable at December 31, 2001	1,574,4868	$ 1.85 - 26.75

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The weighted average remaining contractual lives of stock options were 5.5 years at December 31, 2001.

The following table summarizes information about stock options outstanding at December 31, 2001:

	Outstanding Options			
Range of Exercise Prices	Number Outstanding at December 31	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	a
$1.8500 - $2.6750	17,247	1.4 years	$ 1.8998	
$2.6751 - $5.3500	43,002	2.6 years	4.3479	
$5.3501 - $8.0250	6,235	5.3 years	6.8198	
$8.0251 - $10.7000	32,856	4.8 years	9.3278	
$10.7001 - $13.3750	119,008	2.8 years	11.6021	
$13.3751 - $16.0500	649,482	8.7 years	15.2612	
$16.0501 - $18.7250	330,729	6.7 years	17.9821	
$18.7251 - $21.4000	24,360	5.8 years	19.0721	
$21.4001 - $24.0750	724,617	3.3 years	23.9253	
$24.0751 - $26.7500	262,196	4.4 years	25.8034	
Total	2,209,732	5.5 years	$ 19.1767	

Pro-Forma Impact of Stock Compensation Programs. At December 31, 2001, as described above, the Corporation has various stock-based compensation plans. The Corporation adopted SFAS 123, "Accounting for Stock-Based Compensation" on January 1, 1996, and elected to continue to measure compensation cost relative to these plans using APB 25. The disclosure of the pro forma net income and earnings per share as if the fair value based accounting method of SFAS 123 had been used to account for stock-based compensation is required only for awards granted after December 31, 1994, and is provided below. Consequently, the effects of applying SFAS 123 pro forma disclosures during the initial phase-in period may not be representative of the effects on reported net income in future years.

The following table presents the pro forma effect on net income and on basic and diluted income per share of applying the fair value provisions of SFAS No. 123 discussed above:

Years Ended Decem

(Dollars in thousands, except per share data)	2001	2000
Net income:		
As reported	$ 35,325	$ 24,841
Pro forma	33,508	23,548
Basic income per share:		
As reported	1.12	0.79
Pro forma	1.06	0.75
Diluted income per share:		
As reported	1.12	0.79
Pro forma	1.06	0.75

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The fair value of each option granted during 2001, 2000 and 1999 was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Years En	
	2001	
2000 OMNIBUS STOCK OPTION AND AWARD PLAN		
Dividend yield	4.26%	
Risk free interest rates	4.73 to 5.35%	5.53
Expected lives	10 years	
Volatility	41%	
COMPREHENSIVE STOCK OPTION PLAN		
Dividend yield	None	
Risk free interest rates	None	
Expected lives	None	
Volatility	None	
DIRECTOR PLAN		
Dividend yield	4.26%	
Risk free interest rates	5.19%	
Expected lives	10 years	
Volatility	41%	
1999 EMPLOYEE STOCK PURCHASE PLAN		
Dividend yield	4.26%	
Risk free interest rates	4.92%	
Expected lives	1 year	
Volatility	41%	

NOTE FIFTEEN - COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET RISK

Commitments and Off-Balance Sheet Risk. The Corporation is party to various 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, and involve, to varying degrees, elements of credit and interest rate risk in

excess of the amounts recognized in the consolidated financial statements. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for instruments reflected in the consolidated financial statements. The creditworthiness of each customer is evaluated on a case-by-case basis.

At December 31, 2001, the Corporation's exposure to credit risk was represented by preapproved but unused lines of credit totaling $276.1 million, loan commitments totaling $250.1 million and standby letters of credit aggregating $18.4 million. Of the $276.1 million of preapproved unused lines of credit, $78.0 million were at fixed rates and $198.1 million were at floating rates. Of the $250.1 million of loan commitments, $67.1 million were at fixed rates and $183.0 million were at floating rates. Management expects that these commitments can be funded through normal operations. The amount of collateral obtained if deemed necessary by the Corporation upon extension of credit is based on management's credit evaluation of the borrower at that time. The Corporation generally extends credit on a secured basis. Collateral obtained may include, but may not be limited to, accounts receivable, inventory and commercial and residential real estate.

The Bank primarily makes commercial and installment loans to customers throughout its market area. The Corporation's primary market area includes the state of North Carolina, and predominately centers on the Metro region of Charlotte, North Carolina. The real estate loan portfolio can be affected by the condition of the local real estate markets.

Minimum operating lease payments due in each of the five years subsequent to December 31, 2001 are as follows: 2002, $1.8 million; 2003, $1.5 million; 2004, 1.4 million; 2005, $1.2 million; 2006, $1.0

million and subsequent years $1.4 million. Rental expense for all operating leases for the three years ended December 31, 2001, 2000 and 1999 was $1.8 million, $1.7 million and $1.7 million, respectively.

Average daily Federal Reserve balance requirements for the year ended December 31, 2001 amounted to $3.9 million.

Contingencies. The Corporation and the Bank are defendants in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated operations, liquidity or financial position of the Corporation or the Bank.

NOTE SIXTEEN - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation engages in business transactions with certain of its directors. Such transactions are competitively negotiated at arms-length by the Corporation and are not considered to include terms which are unfavorable to the Corporation. See also NOTE SEVEN.

During 2001, the Corporation decided to upgrade its service offerings to include an automatic overdraft product, which allows customers the ability to overdraw their account and have their transactions honored for a fee. During the fourth quarter of 2001, the Corporation engaged Impact Financial Services ("Impact") to provide this product. Impact will receive a fee from the Corporation equal to 15% of the incremental income from this new product for a twenty four month period commencing the fourth full month after the Corporation

began to offer the product. John Godbold, a director of the Corporation, is the president and owner of Godbold Financial Associates, Inc. ("GFA"), which acts as an independent sales representative for Impact for Maryland, North Carolina, South Carolina and Virginia and as such GFA and Mr. Godbold will receive commissions from Impact based on fees earned by Impact. The Corporation received revenues of $500,000 from this new product during 2001. As described above, no fees were required to be paid to Impact until the fourth full month following introduction of the new product, therefore, no fees were payable to Impact and no commissions were payable to GFA and Mr. Godbold during 2001. There can be no assurance regarding the level of future sales of the new product; however, the Corporation estimates that it will receive revenues of approximately $2.4 million (unaudited) during 2002 which would result in fees of $360,000 (unaudited) to Impact and result in Impact paying commissions to GFA and Mr. Godbold of $252,000 (unaudited).

NOTE SEVENTEEN - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Corporation's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Corporation's 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. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Where information regarding the fair value of a financial instrument is available, those values are used, as is the case with investment securities and residential mortgage loans. In these cases, an open market exists in which those financial instruments are actively traded.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, FCB has a substantial trust department that contributes net fee income annually. The trust department is not considered a financial instrument, and its value has not been incorporated into the fair value estimates. Other significant assets and liabilities that are not considered financial assets or liabilities include the mortgage broker and insurance agency operations and premises and equipment. In addition, tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

The Corporation's fair value methods and assumptions are as follows:

Cash and due from banks, federal funds sold, interest bearing bank deposits - the carrying value is a reasonable estimate of fair value due to the short term nature of these financial instruments.

Securities available for sale - fair value is based on available quoted market prices or quoted market prices for similar securities if a quoted market price is not available.

Loans - the carrying value for variable rate loans is a

reasonable estimate of fair value due to contractual interest rates being based on current indices. Fair value for fixed rate loans is estimated based upon discounted future cash flows using discount rates comparable to rates currently offered for such loans.

Deposit accounts - the fair value of certificates of deposit is estimated using rates currently offered for deposits of similar remaining maturities. The fair value of all other deposit account types is the amount payable on demand at year-end.

Other borrowings - the carrying value for shorter-term borrowings is a reasonable estimate of fair value because these instruments are generally payable in 90 days or less. The fair value for borrowings with maturities greater than 90 days is estimated based upon discounted future cash flows using a discount rate comparable to the current market rate for such borrowings.

Commitments to extend credit and standby letters of credit - the large majority of commitments to extend credit and standby letters of credit are at variable rates and/or have relatively short terms to maturity. Therefore, the fair value of these financial instruments is considered to approximate their carrying value.

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Based on the limitations, methods, and assumptions noted above, the following table presents the carrying amounts and fair values of the Corporation's financial instruments at December 31, 2001 and 2000:

	December 31		
	2001		
(Dollars in thousands)	Carrying Amount	Estimated Fair Value	
Financial assets:			
Cash and due from banks	$ 134,084	$ 134,084	$
Federal funds sold	1,161	1,161	
Interest bearing bank deposits	6,220	6,220	
Securities available for sale	1,077,365	1,077,365	
Loans, net of allowance for loan losses	1,929,052	1,960,532	
Financial liabilities:			
Deposits	2,162,945	2,169,124	
Other borrowings	808,512	819,935	

NOTE EIGHTEEN - REGULATORY MATTERS

The Corporation and the Bank are subject to various regulatory capital requirements administered by bank regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly discretionary

- actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications 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 Corporation and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to adjusted average assets (as defined). Management believes, as of December 31, 2001, that the Corporation and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2001, the most recent notifications from the Corporation's various regulators categorized FCB as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, FCB must maintain minimum Total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed any of the institution's categories.

The Corporation's and the Bank's actual capital amounts and ratios are presented in the table below:

	Actual		For Capital Adequacy Purposes	
(Dollars in thousands)	Amount	Ratio	Amount	Minimum Ratio
At December 31, 2001:				
Total Capital (to Risk Weighted Assets)				
First Charter Corporation	$ 310,485	13.99 %	$ 177,546	8.00 %
First Charter Bank	303,150	13.77	176,120	8.00
Tier I Capital (to Risk Weighted Assets)				
First Charter Corporation	$ 284,107	12.80 %	$ 88,773	4.00 %
First Charter Bank	277,307	12.60	88,060	4.00
Tier I Capital (to Adjusted Average Assets)				
First Charter Corporation	$ 284,107	8.80 %	$ 129,096	4.00 %
First Charter Bank	277,307	8.68	127,849	4.00
At December 31, 2000:				
Total Capital (to Risk Weighted Assets)				
First Charter Corporation	$ 316,077	14.17 %	$ 178,421	8.00 %
First Charter Bank	294,806	13.51	174,621	8.00
Tier I Capital (to Risk Weighted Assets)				
First Charter Corporation	$ 288,192	12.92 %	$ 89,211	4.00 %
First Charter Bank	267,507	12.26	87,311	4.00

Tier I Capital (to Adjusted Average Assets)				
First Charter Corporation	$ 288,192	10.27 %	$ 112,278	4.00 %
First Charter Bank	267,507	9.60	111,469	4.00

NOTE NINETEEN - FIRST CHARTER CORPORATION (PARENT COMPANY)

The principal assets of the Parent Company are its investment in the Bank, and its principal source of income is dividends from the Bank. Certain regulatory and other requirements restrict the lending of funds by the Bank to the Parent Company and the amount of dividends that can be paid to the Parent Company. In addition, certain regulatory agencies may prohibit the payment of dividends by the Bank if they determine that such payment would constitute an unsafe or unsound practice. At December 31, 2001, the Parent Company's $301.8 million investment in subsidiaries is restricted as to transfer to the Parent Company without obtaining prior regulatory approval.

The Parent Company's balance sheet data as of December 31, 2001 and 2000 and related statements of income and cash flow data for each of the years in the three-year period ended December 31, 2001 are as follows:

(Dollars in thousands)	2001	2000
BALANCE SHEET DATA:		
Cash	$ 18,478	$ 6,713
Securities available for sale	7,990	7,829
Investment in subsidiaries	301,816	288,318
Receivable from subsidiaries	8,000	--
Premises and equipment	95	95
Other assets	10,394	12,019
TOTAL ASSETS	$346,773	$314,974
Accrued liabilities	$ 5,572	$ 5,687
Borrowed funds	31,860	--
Shareholders' equity	309,341	309,287
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$346,773	$314,974

(Dollars in thousands)	2001	2000	
INCOME STATEMENT DATA:			
Dividends from subsidiaries	$ 17,300	$ 9,200	$

Other operating income (expense)	(114)	1,778	
Income before equity in undistributed (excess of dividends over) net income of subsidiaries	17,186	10,978	
Equity in undistributed (excess of dividends over) net income of subsidiaries	18,139	13,863	
Net income	$ 35,325	$24,841	$

(Dollars in thousands)	2001	2000	
CASH FLOW STATEMENT DATA:			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 35,325	$ 24,841	$
Net (loss) gain on securities available for sale	(124)	1,478	
(Decrease) increase in accrued liabilities	(115)	1,694	
Decrease (increase) in other assets	1,342	(5,955)	
(Increase) decrease in receivable from subsidiaries	(8,000)	4,682	
(Equity in undistributed) excess of dividends paid over net income of subsidiaries	(10,139)	(13,863)	
Net cash provided by operating activities	18,289	12,877	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of securities available for sale	(27)	--	
Proceeds from sale of securities available for sale	715	1,101	
Proceeds from sale of property	--	221	
Net cash provided by (used in) investing activities	688	1,322	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase and retirement of common stock	(17,962)	(27)	(
Proceeds from issuance of common stock	1,643	3,050	
Net increase in other borrowings	31,860	--	
Repayment of note payable	--	--	
Dividends paid	(22,753)	(20,294)	(
Net cash used in financing activities	(7,212)	(17,271)	(
Net increase (decrease) in cash	11,765	(3,072)	
Cash at beginning of year	6,713	9,785	
CASH AT END OF YEAR	$ 18,478	$ 6,713	$

NOTE TWENTY - SUBSEQUENT EVENT

During the first quarter of 2002, the Corporation was notified by the

management of one of the venture capital limited partnerships (referred to in NOTE ONE) that they were in the process of revaluing one of their investments and that they expected that the value would decrease for the limited partnership's fourth quarter 2001 valuation. As a result, the Corporation expects to record losses on equity method investments in the first quarter of 2002. Based on preliminary estimates by the management of the limited partnership, the Corporation believes its share of the loss on this equity method investment could be between $3.0 million and $4.0 million (unaudited). These losses would represent elimination of a portion of previously recorded unrealized gains on this investee company, and would not represent a loss of the original principal invested in this company. Nevertheless, given the inherent risks associated with this type of investment in the current economic environment, there can be no guarantee that there will not be additional losses on these equity method investments in future periods.

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

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by Item 10 with respect to directors and Section 16 matters is set forth in the Registrant's Proxy Statement for its 2002 Annual Meeting of Shareholders under the captions "Election of Directors", and "Section 16(a) Beneficial Ownership Reporting Compliance," respectively, and is hereby incorporated by reference. The information called for by Item 10 with respect to executive officers is set forth in Part I, Item 4A hereof.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is set forth in the Registrant's Proxy Statement for its 2002 Annual Meeting of Shareholders under the captions "Election of Directors - Compensation of Directors", "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation in Compensation Decisions," respectively, and is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 12 is set forth in the Registrant's Proxy Statement for its 2002 Annual Meeting of Shareholders under the captions "Ownership of Common Stock", and is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item 13 is set forth in the Registrant's Proxy Statement for its 2002 Annual Meeting of Shareholders under the caption "Certain Relationships and Related Transactions" and is hereby incorporated by reference.

PART IV

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

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

		Page
(1)	Financial Statements:	
	Independent Auditors' Report	38
	Consolidated Balance Sheets, December 31, 2001 and 2000	39
	Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999	40
	Consolidated Statements of Shareholders' Equity for the years ended December 31, 2001, 2000 and 1999	41
	Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	42
	Notes to Consolidated Financial Statements	43
(2)	Financial Statement Schedules:	
	None	

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(3) Exhibits.

Exhibit No. (per Exhibit Table in Item 601 of Regulation S-K)	Description of Exhibits
3.1	Amended and Restated Articles of Incorporation of the Registrant, incorporated herein by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 0-15829).
3.2	By-laws of the Registrant, as amended, incorporated herein by reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995 (Commission File No. 0-15829).
*10.1	Comprehensive Stock Option Plan, incorporated herein by reference to Exhibit 10.1 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 (Commission File No. 0-15829).

10.2	Dividend Reinvestment and Stock Purchase Plan, incorporated herein by reference to Exhibit 28.1 of the Registrant's Registration Statement No. 333-60641, dated August 8, 1998.
*10.3	Executive Incentive Bonus Plan, incorporated herein by reference to Exhibit 10.7 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998 (Commission File No. 0-15829.)
*10.4	Amended and Restated Employment Agreement dated December 19, 2001 for Lawrence M. Kimbrough.
*10.5	Amended and Restated Employment Agreement dated December 19, 2001 for Robert O. Bratton.
*10.6	Amended and Restated Employment Agreement dated December 19, 2001 for Robert E. James.
*10.7	Amended and Restated Employment Agreement dated December 19, 2001 for Carl T. McFarland.
*10.8	Amended and Restated Supplemental Agreement dated December 19, 2001 for Lawrence M. Kimbrough.
*10.9	Amended and Restated Supplemental Agreement dated December 19, 2001 for Robert O. Bratton.
*10.10	Amended and Restated Supplemental Agreement dated December 19, 2001 for Robert E. James.
*10.11	Change in Control Agreement dated November 16, 1994 for Robert G. Fox, Jr. incorporated herein by reference to Exhibit 10.7 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994 (Commission File No. 0-15829.)

*10.12	Amended and Restated Employment Agreement between First Charter National Bank and John J. Godbold, Jr. dated as of December 22, 1997, incorporated herein by reference to Exhibit 10.8 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997 (Commission File No. 0-15829.)
*10.13	Restricted Stock Award Program, incorporated herein by reference to Exhibit 99.1 of the Registrant's Registration Statement No. 333-60949, dated July 10, 1995.
10.14	The 1999 Employee Stock Purchase Plan, incorporated herein by reference to the Registrant's Registration Statement No. 333-54019, dated May 29, 1998.

*10.15	The First Charter Corporation Comprehensive Stock Option Plan, incorporated herein by reference to the Registrant's Registration Statement No. 333-54021, dated May 29, 1998.
*10.16	The Stock Option Plan for Non-employee Directors, incorporated herein by reference to the Registrant's Registration Statement No. 333-54023, dated May 29, 1998.
*10.17	The Home Federal Savings and Loan Employee Stock Ownership Plan, incorporated herein by reference to the Registrant's Registration Statement No. 333-71495, dated January 29, 1999.
*10.18	The HFNC Financial Corp. Stock Option Plan, incorporated herein by reference to the Registrant's Registration Statement No. 333-71497, dated February 1, 1999.
10.19	Agreement and Plan of Merger by and between the Registrant and Carolina First Bancshares, Inc. dated as of November 7, 1999, incorporated herein by reference to Appendix A of the Registrant's Registration Statement No. 333-95003 filed January 20, 1999.
10.20	Stock Option Agreement between the Registrant and Carolina State Bank dated June 30, 1997, incorporated herein by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed July 2, 1997 (Commission File No. 0-15829).
*10.21	Employment Agreement dated as of January 20, 1993, as amended as of August 31, 1995, between Bank of Union and H. Clark Goodwin, incorporated herein by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995 (Commission File No. 0-15829).
*10.22	Amended and Restated Employment Agreement dated December 19, 2001 for Stephen M. Rownd.
10.23	1998 Employee Stock Purchase Plan, incorporated herein by reference to Exhibit 99.1 of the Registrant's Registration Statement No. 333-43617 filed December 31, 1997.
*10.24	Amended and Restated Salary Continuation Agreement between First Charter National Bank and John J. Godbold, Jr. dated as of December 22, 1997, incorporated herein by reference to Exhibit 10.16 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997 (Commission File No. 0-15829.)
*10.25	The First Charter Corporation 2000 Omnibus Stock Option and Award Plan, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual

	Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.26	The First Charter 1994 Deferred Compensation Plan for Non-Employee Directors, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.27	The First Charter Option Plan Trust, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.28	The Carolina First BancShares, Inc. Amended 1990 Stock Option Plan, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.29	The Carolina First BancShares, Inc 1999 Long-Term Incentive Plan, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.30	Deferred Compensation Agreement dated as of February 18, 1993 by and between Cabarrus Bank of North Carolina and Ronald D. Smith, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.31	Deferred Compensation Agreement dated as of December 31, 1996 by and between Carolina First BancShares, Inc. and James E. Burt, III, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.32	Separation and Consulting Agreement between First Charter Corporation and James E. Burt, III dated June 29, 2000, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.33	Carolina First BancShares, Inc. Amended and Restated Directors' Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.34	Amended and Restated Deferred Compensation Plan for

	Non-Employee Directors, incorporated herein by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (Commission File No. 0-15829).
*10.35	First Charter Corporation Directors' Option Deferral Plan.
*10.36	Supplemental Agreement dated December 19, 2001 for Carl T. McFarland.
*10.37	Supplemental Agreement dated December 19, 2001 for Stephen M. Rownd.
11.1	Statement regarding computation of per share earnings, incorporated herein by reference to Footnote 1 of the Consolidated Financial Statements.
21.1	List of subsidiaries of the Registrant.

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23.1	Consent of KPMG LLP.
*	Indicates a management contract or compensatory plan
b.	The following reports on Form 8-K were filed by the registrant during the quarter ended December 31, 2001:

Current Report on Form 8-K dated October 9, 2001 and filed October 9, 2001, Item 5 and 7.

Current Report on Form 8-K dated October 10, 2001 and filed October 10, 2001, Item 7 and 9.

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SIGNATURES

Pursuant to the requirements of Section 13 or Section 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.

FIRST CHARTER CORPORATION
(Registrant)

By: /s/ Lawrence M. Kimbrough

Lawrence M. Kimbrough, President

Date: March 15, 2002

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 dates indicated:

Signature	Title	Dat
/s/ Lawrence M. Kimbrough (Lawrence M. Kimbrough)	President and Director (Principal Executive Officer)	March 15
/s/ J. Roy Davis, Jr. (J. Roy Davis, Jr.)	Chairman of the Board and Director	March 15
/s/ Michael R. Coltrane (Michael R. Coltrane)	Vice Chairman of the Board and Director	March 15
/s/ Robert O. Bratton (Robert O. Bratton)	Executive Vice President (Principal Financial and Principal Accounting Officer)	March 15
/s/ Harold D. Alexander (Harold D. Alexander)	Director	March 15
/s/ William R. Black (William R. Black)	Director	March 15
/s/ James E. Burt, III (James E. Burt, III)	Director	March 15
/s/ John J. Godbold, Jr. (John J. Godbold, Jr.)	Director	March 15
/s/ Charles F. Harry, III (Charles F. Harry, III)	Director	March 15
/s/ Frank H. Hawfield, Jr. (Frank H. Hawfield, Jr.)	Director	March 15
/s/ Charles A. James (Charles A. James)	Director	March 15

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Signature	Title	Dat

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/s/ Walter H. Jones, Jr (Walter H. Jones, Jr.)	Director	March 15
/s/ Samuel C. King, Jr. (Samuel C. King, Jr.)	Director	March 15
/s/ Jerry E. McGee (Jerry E. McGee)	Director	March 15
/s/ Hugh H. Morrison (Hugh H. Morrison)	Director	March 15
/s/ Thomas R. Revels (Thomas R. Revels)	Director	March 15
/s/ L. D. Warlick, Jr. (L. D. Warlick, Jr.)	Director	March 15
/s/ William W. Waters (William W. Waters)	Director	March 15

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3.2	By-laws of the Registrant, as amended, incorporated herein by reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995 (Commission File No. 0-15829).
*10.1	Comprehensive Stock Option Plan, incorporated herein by reference to Exhibit 10.1 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 (Commission File No. 0-15829).

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*10.13	Restricted Stock Award Program, incorporated herein by reference to Exhibit 99.1 of the Registrant's Registration Statement No. 333-60949, dated July 10, 1995.
10.14	The 1999 Employee Stock Purchase Plan, incorporated herein by reference to the Registrant's Registration Statement No. 333-54019, dated May 29, 1998.
*10.15	The First Charter Corporation Comprehensive Stock

	Option Plan, incorporated herein by reference to the Registrant's Registration Statement No. 333-54021, dated May 29, 1998.
*10.16	The Stock Option Plan for Non-employee Directors, incorporated herein by reference to the Registrant's Registration Statement No. 333-54023, dated May 29, 1998.
*10.17	The Home Federal Savings and Loan Employee Stock Ownership Plan, incorporated herein by reference to the Registrant's Registration Statement No. 333-71495, dated January 29, 1999.
*10.18	The HFNC Financial Corp. Stock Option Plan, incorporated herein by reference to the Registrant's Registration Statement No. 333-71497, dated February 1, 1999.
10.19	Agreement and Plan of Merger by and between the Registrant and Carolina First Bancshares, Inc. dated as of November 7, 1999, incorporated herein by reference to Appendix A of the Registrant's Registration Statement No. 333-95003 filed January 20, 1999.
10.20	Stock Option Agreement between the Registrant and Carolina State Bank dated June 30, 1997, incorporated herein by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed July 2, 1997 (Commission File No. 0-15829).
*10.21	Employment Agreement dated as of January 20, 1993, as amended as of August 31, 1995, between Bank of Union and H. Clark Goodwin, incorporated herein by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995 (Commission File No. 0-15829).
*10.22	Amended and Restated Employment Agreement dated December 19, 2001 for Stephen M. Rownd.
10.23	1998 Employee Stock Purchase Plan, incorporated herein by reference to Exhibit 99.1 of the Registrant's Registration Statement No. 333-43617 filed December 31, 1997.
*10.24	Amended and Restated Salary Continuation Agreement between First Charter National Bank and John J. Godbold, Jr. dated as of December 22, 1997, incorporated herein by reference to Exhibit 10.16 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997 (Commission File No. 0-15829.)
*10.25	The First Charter Corporation 2000 Omnibus Stock Option and Award Plan, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual

	Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.26	The First Charter 1994 Deferred Compensation Plan for Non-Employee Directors, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.27	The First Charter Option Plan Trust, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.28	The Carolina First BancShares, Inc. Amended 1990 Stock Option Plan, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.29	The Carolina First BancShares, Inc 1999 Long-Term Incentive Plan, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.30	Deferred Compensation Agreement dated as of February 18, 1993 by and between Cabarrus Bank of North Carolina and Ronald D. Smith, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.31	Deferred Compensation Agreement dated as of December 31, 1996 by and between Carolina First BancShares, Inc. and James E. Burt, III, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.32	Separation and Consulting Agreement between First Charter Corporation and James E. Burt, III dated June 29, 2000, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.33	Carolina First BancShares, Inc. Amended and Restated Directors' Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 0-15829).
*10.34	Amended and Restated Deferred Compensation Plan for Non-Employee Directors, incorporated herein by reference to Exhibit 10.1 of the Registrant's

	Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (Commission File No. 0-15829).
*10.35	First Charter Corporation Directors' Option Deferral Plan.
*10.36	Supplemental Agreement dated December 19, 2001 for Carl T. McFarland.
*10.37	Supplemental Agreement dated December 19, 2001 for Stephen M. Rownd.
11.1	Statement regarding computation of per share earnings, incorporated herein by reference to Footnote 1 of the Consolidated Financial Statements.
21.1	List of subsidiaries of the Registrant.
23.1	Consent of KPMG LLP.

*indicates a management contract or compensatory plan