FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
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FILER

FIRST PALMETTO FINANCIAL CORP
CIK:**864927**| IRS No.: **570921284** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10-K** | Act: **34** | File No.: **033-35417** | Film No.: **96687506**
SIC: **6035** Savings institution, federally chartered

Mailing Address
P O BOX 430
407 DEKALB STREET
CAMDEN SC 29020

Business Address
P O BOX 430
407 DEBKALB STREET
CAMDEN SC 29020
8034321416

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 1996
Commission File Number: 0-18932

FIRST PALMETTO FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	57-0921284
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
407 DeKalb Street, Camden, S.C.	29020
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 803-432-1416

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, par value $.01 per share

(Title of Class)

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 its 10-K or any amendments to this Form 10-K. X

The registrant's voting stock is not regularly and actively traded in any established market, and there are no regularly quoted bid and asked prices for the registrant's voting stock. As of October 25, 1996, the aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the most recent privately negotiated sales prices known to management, was approximately $13.4 million (406,514 shares at $33.00 per share). It is assumed for purposes of this calculation that all of the registrant's directors and executive officers are affiliates of the registrant.

As of October 25, 1996 there were issued and outstanding 693,010 shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Annual Report to Stockholders for the Fiscal Year Ended September 30, 1996 (the "Annual Report"). (Parts I and II)
2. Portions of the Proxy Statement for the 1997 Annual Meeting of Stockholders (Part II).

 Exhibit Index on Page 41

FIRST PALMETTO FINANCIAL CORPORATION

Index to Form 10-K
Fiscal Year Ended September 30, 1996

PART I

ITEM 1. Business

General

First Palmetto Financial Corporation. First Palmetto Financial Corporation ("First Palmetto") was incorporated under the laws of the State of Delaware on January 24, 1990 but did not issue stock or begin operations until October 31, 1990.

First Palmetto is classified as a unitary savings and loan holding company subject to regulation by the Office of Thrift Supervision ("OTS") of the Department of the Treasury. First Palmetto's principal business is the business of its subsidiary, First Palmetto Savings Bank, F.S.B. (the "Bank") and the Bank's subsidiary. Except as otherwise noted, references herein to First Palmetto include the Bank. The holding company structure permits First Palmetto to expand the financial services currently offered through the Bank and its subsidiaries. As a holding company, First Palmetto has greater flexibility than the Bank to diversify its business activities, through existing or newly formed subsidiaries, or through acquisition or merger. So long as First Palmetto remains a unitary savings and loan holding company and the Bank satisfies the Qualified Thrift Lender Test, First Palmetto may diversify its activities in such a manner as to include any activities allowed by regulation to a unitary savings and loan holding company. See Regulation.

Under current federal law, thrift institutions, including federal savings and loan associations or savings banks, are called "savings associations." As a federally chartered savings association, First Palmetto is subject to extensive regulation and examination by the OTS and the Federal Deposit Insurance Corporation ("FDIC"), as the administrator of the Savings Association Insurance Fund ("SAIF") which insures First Palmetto's deposits.

The Bank's main office is located at 407 DeKalb Street, Camden, South Carolina (telephone (803) 432-1416). First Palmetto also has fourteen branch offices in other South Carolina locations in Beaufort, Bishopville, Camden, Columbia, Darlington, Elgin, Irmo, Kershaw, Lancaster, Lugoff, Manning, Pageland and Pontiac.

Recently Enacted Legislation

On September 30, 1996, President Clinton signed the omnibus appropriations bill for Fiscal Year 1997 (the "1997 Appropriations Bill"). Among its many banking provisions, the statute provided for the recapitalization of the SAIF by imposing a one-time special assessment on SAIF-insured deposits to bring the fund's reserve ratio to the statutorily required minimum level of 1.25% of deposits. The rate of the special assessment was 65.7 basis points and applied to the Bank's deposits as of March 31, 1995. At September 30, 1996, the Bank recorded an accrual of $1.3 million to reflect this special assessment. The legislation also provides that, no later than January 1, 2000, the obligation to pay interest on the bonds of the Financing Corporation ("FICO"), which currently is borne entirely by members of the SAIF, will be shared on a pro rata basis with Bank Insurance Fund ("BIF") member institutions. From 1997 through 1999, partial sharing will occur, with SAIF deposits assessed 6.44 basis points and BIF deposits assessed 1.29 basis points for servicing of the FICO debt. As a result of the recapitalization of the SAIF and the sharing of the FICO obligation, the Bank's FDIC assessments will be materially reduced. See "Regulation -- Savings Association Regulation -- Deposit Insurance."

The 1997 Appropriations Bill also contained a number of provisions providing regulatory relief for savings associations and banks. The bill's regulatory relief provisions include sweeping amendments to the "qualified thrift lender" test applicable to savings associations that will ease such test's restrictions on the diversification of a savings association's loan portfolio. See "Regulation -- Savings Association Regulation -- Qualified Thrift Lender Test."

In addition, on August 20, 1996, the President signed legislation that repealed the tax bad debt reserve method for thrifts effective for taxable years beginning after December 31, 1995. As a result, thrifts must recapture into taxable income the amount of their post-1987 tax bad debt reserves over a six-year period beginning after 1995. This recapture can be deferred for up to two years if the thrift satisfies a residential loan portfolio test. The Bank is expected to recapture $1.2 million of its tax bad debt reserves into taxable income over six years as a result of this new law. However, the bad debt reserves of the Bank would not be subject to further recapture except under certain narrow circumstances, including stock repurchases or redemptions by the Bank (as opposed to First Palmetto) and conversion to a type of institution that is not considered a bank for tax purposes. No further recapture would be required if the Bank converted to a commercial bank charter or was acquired by a commercial bank. See "Taxation -- Federal Income Taxation."

Selected Consolidated Financial and Other Data

Financial Condition Data. The following tables present selected consolidated financial information and other data for First Palmetto at the dates and for the periods indicated.

<TABLE>
<CAPTION>

Consolidated Financial Condition Data

	At September 30,				
	1996	1995	1994	1993	1992
	(In thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Assets	$344,547	$323,183	$278,056	$226,370	$211,423
Loans	227,209	198,373	163,649	158,551	165,818
Cash and investment securities (a)	70,519	71,807	72,826	34,232	35,258
Mortgage-backed securities	33,010	39,410	31,159	25,466	453
Deposits	288,157	267,313	225,417	189,334	191,524
Federal home loan bank advances	32,550	33,367	31,000	17,000	-
Stockholders' equity, substantially restricted	20,208	19,345	17,804	16,429	15,012

</TABLE>

(a) Includes cash and due from banks, interest-bearing deposits in other banks, certificates of deposit in other banks, available-for-sale securities and investment securities.

<TABLE>
<CAPTION>

Consolidated Summary of Operations

	Years Ended September 30,				
	1996	1995	1994	1993	1992
	(In thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Interest income	$26,016	$22,795	$16,890	$15,497	$17,065
Interest expense	14,186	12,484	8,213	7,376	9,350

Net interest income	11,830	10,311	8,677	8,121	7,715
Provision for loan losses	885	482	523	720	1,114
Net interest income after provision for loan losses	10,945	9,829	8,154	7,401	6,601
Other income	2,255	1,933	1,651	1,466	1,792
Other expense	9,993	8,104	6,597	5,958	5,936
Income tax expenses	1,195	1,300	1,184	1,137	843
Cumulative effect of change in accounting principle	-	-	243	-	-
Net income	$ 2,012	$ 2,358	$2,267	$1,772	$ 1,614
Net income per share	$ 2.90	$ 3.40	$ 3.36	$ 2.65	$ 2.40
Book value per share	$ 29.16	$ 27.90	$25.68	$24.51	$ 22.46
Dividends per share	$ 1.60	$ 1.40	$ 1.25	$ 1.10	$ 1.05

</TABLE>

<TABLE>
<CAPTION>

Financial Ratios

	At September 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Return on average assets (net income divided by average total assets)	.61%	.78%	.90%
Return on average equity (net income divided by average equity)	10.33%	13.17%	13.25%
Dividend payout ratio (dividends declared divided by net income)	55%	41%	38%
Average equity-to-average assets ratio (average equity divided by average total assets)	5.87%	5.90%	6.79%

</TABLE>

Lending Activities

General. First Palmetto offers: residential, construction, commercial real estate, installment and commercial business loans.

Loan Portfolio Data. The following table sets forth selected data relating to the composition of First Palmetto's Loan portfolio by type of loan and type of security at the dates indicated.

<TABLE>
<CAPTION>

	At September 30,									
	1996		1995		1994		1993		1992	
	(Dollars in thousands)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Type of Loan:										
Real estate loans:										
1-4 Family	$123,155	54.2%	$106,264	53.6%	$ 98,649	60.2%	$ 98,602	62.2%	$114,896	69.3%
Commercial	62,043	27.3	56,489	28.4	43,347	26.6	39,688	25.0	31,211	18.8
Construction Loans	8,695	3.8	5,431	2.7	6,716	4.1	4,891	3.1	5,015	3.0
Commercial business loans	12,578	5.5	10,055	5.1	5,906	3.6	3,970	2.5	4,160	2.5
Installment loans	27,847	12.3	24,376	12.3	14,064	8.6	14,847	9.4	13,968	8.4
Less:										
Undisbursed loan proceeds	4,461	2.0	2,240	1.1	3,145	1.9	1,677	1.1	1,830	1.1
Deferred loan fees	284	.1	202	.1	233	.2	290	.2	221	.1
Allowance for loan losses	2,364	1.0	1,800	.9	1,655	1.0	1,480	.9	1,381	.8

Total	$227,209	100.0%	$198,373	100.0%	$163,649	100.0%	$158,551	100.0%	$165,818	100.0%

</TABLE>

Large Loans. At September 30, 1996, First Palmetto's five largest loans ranged from $692,000 to $1.1 million. All of these loans were secured by real property in First Palmetto's primary market area.

Sensitivities of Loans to Changes in Interest Rates. The following table sets forth certain information as of September 30, 1996, regarding the dollar amount of loans maturing in First Palmetto's portfolio based on their contractual terms to maturity, including scheduled repayments of principal. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as due in one year or less.

<TABLE>
<CAPTION>

<S>	Due during the year ending September 30, 1997 <C>	Due two through five years after year ending September 30, 1996 <C>	Due more than five years after year ending September 30, 1996 <C>	Total <C>
		(In thousands)		
Real Estate	$39,697	$116,513	$32,938	$189,148
Commercial Business	7,305	4,152	1,121	12,578
Installment	5,790	19,969	2,088	27,847
Total	$52,792	$140,634	$36,147	$229,573

</TABLE>

The following table sets forth, as of September 30, 1996, the dollar amount of loans in First Palmetto's portfolio due more than one year after such date which had predetermined interest rates and had floating or adjustable interest rates.

<TABLE>
<CAPTION>

<S>	Predetermined Rates <C>	Floating or Adjustable Rates <C>	Total <C>
		(In thousands)	
Real Estate	$106,482	$42,969	$149,451
Commercial	4,215	1,058	5,273
Installment	20,819	1,238	22,057
Total	$131,516	$45,265	$176,781

</TABLE>

Residential Loans. Residential loans, which comprise 54.2% of the loan portfolio or $123.2 million at September 30, 1996, are generally underwritten to the Federal Home Loan Mortgage Corporation ("FHLMC") guidelines. Charge-offs for these type loans totaled $63,000 for the fiscal year ended September 30, 1996 and $16,000 for the previous year. Residential loans, the largest category of loans, represents the least amount of credit risk.

Construction Loans. Construction loans totaled a net $8.7 million or less than 3.8% of the loan portfolio at September 30, 1996.

During fiscal 1996, First Palmetto originated $14.7 million of construction loans, which represented 10.5% of its total loans originated during the period. Substantially all of First Palmetto's construction loan portfolio at September 30, 1996 consisted of loans secured by single-family dwellings.

Construction financing is generally considered to involve a higher degree of credit risk than long-term financing of residential properties. First

Palmetto's risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction or development and the estimated cost (including interest) of construction. If the estimate of construction cost or the salability of the property upon completion of the project proves to be inaccurate, First Palmetto may be required to advance funds beyond the amount originally committed to permit the completion of the development.

Commercial Real Estate Loans. First Palmetto's commercial real estate loan portfolio generally consists of income producing properties or owner occupied properties.

Commercial real estate loans, including loans secured by multi-family apartment projects with more than four units, constituted approximately $62.0 million, or 27.3% of First Palmetto's net loan portfolio at September 30, 1996. These loans are typically secured by commercial real estate located in Kershaw or Richland County, South Carolina. Commercial real estate loans are generally made in amounts up to $1.0 million and are generally considered to involve higher risks than owner-occupied residential real estate loans. First Palmetto's largest single commercial real estate loan at September 30, 1996 was approximately $1.1 million. Commercial properties are evaluated based on whether the income produced would be sufficient to pay the scheduled payments.

Installment Loans. Installment loans increased by $3.4 million or 14.2% to $27.8 million at September 30, 1996. The significant increase during 1996 was consistent with management's goal of increasing the consumer loan portfolio as a percentage of total loans. First Palmetto's consumer lenders focus on a customer's debt obligations, ability and willingness to repay and general economic trends in evaluating credit request. Charge-offs on consumer loans totaled $220,000 and $200,000 for the fiscal years ended September 30, 1996 and 1995, respectively. Due to the higher credit risks and operating costs inherent in consumer loans, rates are generally higher than those required on residential and commercial loans.

Commercial Business Loans. Commercial business loans increased from $10.1 million at September 30, 1995 to $12.6 million at September 30, 1996. As with commercial real estate loans, these type loans result in higher credit risk to First Palmetto. Commercial business loans are frequently unsecured or secured by inventory, accounts receivable and other types of personal property. In the event of default, the collateral, if any, is difficult to liquidate at market prices. To manage this risk, First Palmetto assesses the financial condition of the borrower as well as the marketability of the collateral on the loan (if applicable) in evaluating the loan request. Restrictive debt covenants which limit such items as officers' salaries, working capital and equity capital are included in commercial business loan agreements.

Charge-offs for commercial real estate and business loans totaled $284,000 and $180,000 for the fiscal years ended September 30, 1996 and 1995, respectively.

First Palmetto originates commercial business loans on a limited basis.

The following table sets forth loans and loan participations originated, purchased and sold by First Palmetto during the periods indicated.

<TABLE>
<CAPTION>

	Years Ended September 30,				
	1996	1995	1994	1993	1992
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Loans Originated:					
Residential	$ 71,530	$ 39,039	$ 71,653	$ 93,164	$126,031
Residential construction	14,747	9,079	11,909	9,560	7,688
Commercial real estate, including construction	35,235	43,248	35,977	16,711	8,917
Consumer	19,456	19,838	13,387	10,154	10,050
Total loans originated	$140,968	$111,204	$132,926	$129,589	$152,686
Loans purchased	$ --	$ --	$ --	$ 101	$ 1,578
Loans sold	$ 16,210	$ 9,227	$ 36,176	$ 41,933	$ 59,250

</TABLE>

Non-Performing Assets and Asset Classification. Loans are reviewed on a regular basis and are placed on a non-accrual status when, in the opinion of management, the collection of additional interest is doubtful. Management and the directors of First Palmetto review on a monthly basis individual loans which are classified as non-performing assets. Management also evaluates the adequacy of the allowance for loan losses based on specific review of delinquent loans and other loans with problems, composition of the Bank's loan portfolio, general economic conditions, value of collateral and other factors. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate collectibility of the loan.

Gross interest income that was foregone on the non-accrual loans of $984,000 at September 30, 1996 that would have been recorded if the loans had been current and in accordance with their original terms, amounted to $94,868 at September 30, 1996. Interest income recognized on non-accrual loans for the year ended September 30, 1996 amounted to $52,032.

Real estate acquired by First Palmetto as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until such time as it is sold. When such property is acquired, it is recorded at the lower of the unpaid principal balance of the related loan or its fair value. Thereafter, such properties are carried at lower of original basis or fair value less estimated costs to sell. At September 30, 1996, real estate owned in the amount of $232,000 was secured by single family dwellings or land and $248,000 was secured by commercial property. All such property is located in First Palmetto's primary lending area and management is currently seeking to sell all property.

At September 30, 1996, the allowance for loan losses totaled $2.4 million compared to $1.8 million at September 30, 1995. The allowance for loan losses as a percentage of loans was 1.04% and .91% at September 30, 1996 and 1995, respectively. Asset quality has improved for the comparative years with the ratio of non-performing assets to total assets decreasing to .45% at September 30, 1996 from .57% and .67% at September 30, 1995 and 1994, respectively. All of the allowance for loan losses has been allocated to general reserves. Approximately $700,000 has been allocated to commercial properties, $200,000 has been allocated to consumer loans and the remainder of the allowance has been allocated to other loans. Based upon management's review policy described above, management currently anticipates that charge-offs for 1997 will approximate charge-offs for 1996.

While First Palmetto believes it has established its existing allowances for loan losses in accordance with generally accepted accounting principles, there can be no assurance that regulators, in reviewing First Palmetto's loan portfolio will not request First Palmetto to increase its allowance for loan losses, thereby negatively impacting First Palmetto's financial condition and earnings.

At September 30, 1996, there were no concentrations of loans in any types of industry which exceeded 10% of First Palmetto's total loans that were not otherwise disclosed as a loan category above. In addition, there were no loans which were not classified as non-accrual or restructured at September 30, 1996 which may be so classified in the near future because of management concerns as to the ability of the borrowers to comply with repayment terms.

The following table sets forth an analysis of First Palmetto's allowance for loan losses for the periods indicated.

<TABLE>
<CAPTION>

	Years Ended September 30,				
	1996	1995	1994	1993	1992
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance at beginning of period	$1,800	$1,655	$1,480	$1,381	$ 869
Transfer of allowance for loan losses from merger of First Federal of Darlington	--	--	--	--	141
Loans charged off:					
Residential	63	16	15	199	121
Consumer	220	200	220	80	194
Commercial	284	180	167	379	458
Total charge-offs	567	396	402	658	773

Recoveries					
Residential	--	2	2	11	5
Consumer	52	30	30	4	7
Commercial	194	27	22	22	18
Total Recoveries	246	59	54	37	30
Provision for loan losses	885	482	523	720	1,114
Balance at end of period	$2,364	$1,800	$1,655	$1,480	$1,381
Ratio of net charge-offs to the allowance for loan losses	13.6%	18.7%	21.0%	42.0%	53.8%
Ratio of net charge-offs to average loans outstanding during the period	.15%	.19%	.22%	.38%	.47%

</TABLE>

The following table sets forth information regarding First Palmetto's non-performing assets at the dates indicated.

<TABLE>
<CAPTION>

	At September 30,									
	1996		1995		1994		1993		1992	
	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets	Amount	Percentage of Total Assets
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Non-accrual loans	$ 984	.31%	$ 823	.25%	$ 722	.26%	$2,355	1.04%	$3,243	1.53%
Accruing loans 90 days or more past due	-	-	-	-	-	-	-	-	-	-
Total	984	.31	823	.25	722	.26	2,355	1.04	3,243	1.53
Other non-performing assets (a)	480	.14	1,031	.32	1,134	.41	850	.37	1,939	.92
Troubled debt restructurings	-	-	-	-	-	-	852	.38	-	-
Total non-performing assets	$1,464	.45%	$1,854	.57%	$1,856	.67%	$4,057	1.79%	$5,182	2.45%

</TABLE>

(a) Other non-performing assets represents property acquired by First Palmetto through foreclosure or repossession. This property is initially recorded at the lower of its fair value or the cost of the related loan at time of foreclosure.

Investment Activities

Interest on investment securities, available-for-sale securities, interest-bearing deposits and mortgage-backed securities have provided First Palmetto's second largest source of revenue after interest on loans. Interest on such investments constituted 23.1%, 27.6% and 20.9% of the total interest and other revenues of First Palmetto in fiscal years 1996, 1995 and 1994, respectively. At September 30, 1996, investments, mortgage-backed securities, Federal Home Loan Bank Stock and interest-bearing deposits in other banks totaled $96.8 million or 28.0% of First Palmetto's total assets.

In accordance with generally accepted accounting principles, First Palmetto reports its investments, other than investments available-for-sale, at cost as adjusted for discounts and unamortized premiums. Investments available-for-sale are reported at fair value.

First Palmetto's mortgage-backed securities ("MBS") portfolio at September 30, 1996 was composed of adjustable rate mortgage (ARM) MBS of $7.9 million and fixed rate MBS of $25.1 million. The ARM MBS have weighted average adjustment dates in the period from December, 1996 to June, 1997. At the present level of interest rates, the fixed rate MBS portfolio has a duration of less than two years. As interest rates increase, market value will decrease and the duration of the fixed rate portfolio will lengthen as borrowers are less likely to refinance the loans collateralizing the MBS. ARM MBS often experience decreased prepayments in rising interest rate environments as borrowers are less likely to fix their mortgage rates. Similar to fixed rate MBSs, the ARM MBS decrease in value as rates rise, but not in the same magnitude, because the interest rate adjusts annually to market rate. See "ASSET and LIABILITY MANAGEMENT and INTEREST RATE SENSITIVITY" in the consolidated financial statements for a discussion of First Palmetto's interest rate sensitivity risk and the associated prepayment risk.

First Palmetto's MBSs portfolio is classified as held to maturity and is therefore carried at amortized costs. Although these securities are in the held to maturity category, they are readily marketable and have a market value which is slightly less than their book carrying value at September 30, 1996.

As a member of the FHLB System, First Palmetto is required to maintain minimum levels of liquid assets specified by the OTS which vary from time to time. See "Regulation -- Savings Association Regulation -- Liquidity Requirements." The following table sets forth the carrying value of First Palmetto's interest-bearing deposits, available-for-sale securities, investment securities and mortgage-backed securities at September 30, 1996. The market values of First Palmetto's interest-bearing deposits, available-for-sale securities, investment securities and mortgage-backed securities at September 30, 1996 were $13.6 million, $1.0 million, $47.1 million and $32.8 million, respectively.

The following table sets forth the carrying value of First Palmetto's investments:

<TABLE>
<CAPTION>

	September 30, 1996	1995	1994
	(In thousands)		
<S>	<C>	<C>	<C>
Interest-bearing deposits	$14,048	$ 3,184	$ 5,447
Investment securities			
U.S. Government and agency securities	$46,607	$57,389	$59,307
Available-for-sale investments	997	1,039	766
Total investments	$47,604	$58,428	$60,073
Mortgage-backed securities			
FHLMC and FNMA	$32,842	$39,254	$30,970
GNMA	168	156	189
	$33,010	$39,410	$31,159
FHLB of Atlanta stock	$ 2,122	$ 2,122	$ 2,122

</TABLE>

The following table sets forth the amount and maturities of First Palmetto's investments at September 30, 1996:

<TABLE>
<CAPTION>

	Due in One year or Less	Due after One year through 5 Years	Due after 5 years through 10 years	Due after 10 Years	Total
	(Dollars In thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Available-for-sale investments	$ 997	$ -	$ -	$ -	$ 997
Investment securities	16,953	29,654	-	-	46,607
Mortgage-backed securities	-	-	-	33,010	33,010
Total	$17,950	$29,654	$ -0-	$33,010	$80,614

Weighted Average

Yield	6.16%	6.41%	-0-%	6.69%	6.48%
	=======	=======	=======	=======	=======

</TABLE>

Deposits

Deposits. First Palmetto offers a number of deposit accounts, including statement, regular savings accounts, NOW/Checking, IRA accounts, money market accounts and certificate accounts ranging in maturity generally from 90 days to three years. Deposit account terms vary, with the principal differences being the minimum balance required, the time period the funds must remain on deposit, with the related penalty for early withdrawal, and the interest rate. Deposits can also be affected by branch acquisitions, branch sales and the rates being offered for deposits compared to other investment opportunities.

First Palmetto's deposits are obtained primarily from residents of the State of South Carolina. Management of First Palmetto estimated that less than 1/2 of 1% of deposits are obtained from customers residing outside the State of South Carolina. The principal methods used by First Palmetto to attract deposit accounts include the offering of a wide variety of services and accounts, competitive interest rates and convenient office locations and service hours. First Palmetto utilizes traditional marketing methods to attract new customers and savings deposits, including mass media advertising and direct mailings.

At September 30, 1996, First Palmetto had $136.7 million of fixed-rate certificates with remaining terms of one year or longer, or 47.5% of total deposits. Substantially all time deposits renew at maturity. As of September 30, 1996, there were no concentrations of deposits which would have a material impact on the Bank if they were not renewed.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established by First Palmetto on a periodic basis. Determination of rates and terms are predicated on funds acquisition and liquidity requirements, rates paid by competitors and growth goals.

Management's current policy is to not accept brokered deposits, which are more likely to be withdrawn than deposits made by other depositors. At September 30, 1996, First Palmetto had no brokered deposits.

Deposit Flow. The following table sets forth the changes in dollar amounts of deposits in the various types of accounts offered by First Palmetto between the dates indicated.

<TABLE>
<CAPTION>

	Balance at September 30, 1996	Percent of Deposits	Balance at September 30, 1995	Percent of Deposits	Increase (Decrease)	Balance at September 30, 1994	Percent of Deposit	Increase (Decrease)
	(Dollars in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NOW checking and noninterest bearing checking	$ 45,447	15.8%	$ 45,226	16.9%	$ 221	$ 32,270	14.3%	$12,956
Money market deposit	26,539	9.2	18,534	6.9	8,005	14,108	6.3	4,426
Savings	22,057	7.7	23,920	8.9	(1,863)	22,188	9.8	1,732
Certificates of Deposit	194,114	67.3	179,633	67.3	14,481	156,851	69.6	22,782
	$288,157	100.0%	$267,313	100.0%	$20,844	$225,417	100.0%	$41,896

</TABLE>

The following table sets forth First Palmetto's average balances and interest rates based on daily balances during the periods indicated.

<TABLE>
<CAPTION>

	1996 Average Balance	1996 Average Rate Paid	1995 Average Balance	1995 Average Rate Paid	1994 Average Balance	1994 Average Rate Paid
			(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-bearing demand deposits	$ 54,503	2.53%	$ 45,956	2.68%	$ 29,583	2.30%
Savings deposits	23,181	2.53	22,939	2.79	19,399	2.53
Time deposits	183,357	5.65	165,717	5.13	142,216	4.10
	$261,041	4.72%	$234,612	4.42%	$191,198	3.66%

Years Ended September 30,

</TABLE>

The following table sets forth First Palmetto's time deposits classified by rates as of dates indicated.

<TABLE>
<CAPTION>

At September 30,

	1996	1995	1994
		(In thousands)	
<S>	<C>	<C>	<C>
Less than 3.00%	$ 33	$ 65	$ 180
3.00% - 4.99%	14,974	17,715	126,311
5.00% - 6.99%	176,152	152,994	29,543
7.99% - 9.99%	2,955	8,859	817
	$194,114	$179,633	$156,851

</TABLE>

The following table sets forth the amount and maturities of First Palmetto's time deposits at September 30, 1996.

<TABLE>
<CAPTION>

Rate	Through One Year	After One Through Two Years	After Two Through Three Years	After Three Years	Total	Rate
			(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Less than 3.00%	$ 1	$ -	$ -	$ 32	$ 33	2.73%
3.00% - 4.99%	14,639	221	55	59	14,974	4.82
5.00% - 6.99%	150,857	18,542	6,151	602	176,152	5.51
7.00% - 9.99%	1,187	1,570	4	194	2,955	7.36
	$166,684	$20,333	$6,210	$887	$194,114	5.49%

</TABLE>

The following table indicates the amount of First Palmetto's certificates of deposit of $100,000 or more by time remaining until maturity as of September 30, 1996.

<TABLE>
<CAPTION>

Maturity	Certificates of Deposit
	(In thousands)
<S>	<C>
Three months or less	$17,898
Over three through six months	16,382

Over six through twelve months	10,420
Over twelve months	6,086
Total	$50,786

</TABLE>

First Palmetto had new deposits of $1.2 billion, withdrawals of $1.1 billion and interest credited to the deposit accounts of $10.3 million resulting in a net increase of $20.8 million.

Borrowings. Deposits and loan sales and repayments are the primary sources of funds for First Palmetto's lending and investment activities and for its general purposes. First Palmetto also may rely upon advances (borrowings) from the FHLB of Atlanta to supplement its supply of lendable funds, meet deposit withdrawal requirements and to extend the term of its liabilities. The FHLB of Atlanta traditionally has served as First Palmetto's primary borrowing source. Advances from the FHLB of Atlanta are collateralized by First Palmetto's stock in the FHLB of Atlanta and a portion of First Palmetto's first mortgage loans. At September 30, 1996, the Bank had $32.6 million outstanding in FHLB advances of which $12.5 million had fixed interest rates and $21.1 million had variable interest rates. The advances are to mature as follows:

<TABLE>
<CAPTION>

	(Dollars in thousands)	Weighted Average Interest
Maturing in the year ended September 30, 1997	$ 8,750	5.57%
Maturing in the year ended September 30, 1998	7,800	5.51%
Maturing in the year ended September 30, 1999	13,000	5.31%
Maturing in the year ended September 30, 2000	1,000	6.00%
Maturing in the year ended September 30, 2001	2,000	5.69%
	$32,550	5.55%

</TABLE>

The following table sets forth certain information regarding First Palmetto's FHLB advances:

<TABLE>
<CAPTION>

	1996		1995		1994	
	Amount	Rate	Amount	Rate	Amount	Rate
	(Dollars in thousands)					
FHLB advances						
Balance at September 30,	$32,550	5.55%	$33,367	5.73%	$31,000	5.25%
Average during year	33,202	5.59	37,314	5.64	23,832	5.09
Maximum month-end balance during year	36,867	-	64,500	-	31,833	-

</TABLE>

The FHLB of Atlanta functions as a central reserve bank providing credit for savings banks and certain other member financial associations. As a member, First Palmetto is required to own capital stock in the FHLB of Atlanta and is authorized to apply for advances on the security of such stock and certain of its home mortgages and other assets (principally, securities which are obligations of, or guaranteed by, the United States) provided certain standards related to creditworthiness have been met. See "Regulation -- Savings Association Regulation -- Federal Home Loan Bank System."

Subsidiary Activities

The Bank is permitted by regulation to invest an amount equal to 2% of its assets in subsidiaries (service corporations), with an additional investment of 1% of assets where such investment serves primarily community, inner-city and community development purposes. In addition, associations meeting regulatory capital requirements and certain other tests may invest up to 50% of their net worth in conforming first mortgage loans to service corporations. At September 30, 1996, the net book value of the Bank's investments in stock, unsecured loans and conforming loans in its service corporation was $201,000.

Palmetto State Service Corporation ("PSSC") was formed in 1976 for the purpose of investing in real estate for future development and/or sale. These investments are wholly owned by PSSC and do not represent joint ventures with First Palmetto. During fiscal 1996, PSSC had a net loss of $17,000. At September 30, 1996, First Palmetto had $500,000 invested in PSSC's common stock, and negative retained earnings in PSSC amounting to $299,000. PSSC is engaged in activities not permissible to national banks. For a discussion of the effect of this investment on First Palmetto's regulatory capital requirements, see "Regulation -- Savings Association Regulation -- Regulatory Capital Requirements."

During the year ended September 30, 1996, the Bank dissolved First Service, Inc. and it's wholly owned subsidiary Midlands Financial and Insurance Company, Inc.

Competition

First Palmetto faces strong competition in the attraction of deposits (its primary source of lendable funds) and in the origination of loans. Its most direct competition for deposits comes from other thrift associations and from commercial banks located in its primary market area. Particularly in times of high interest rates, First Palmetto also faces additional significant competition for investors' funds from short-term money market securities and other corporate and government securities. First Palmetto's competition for loans comes principally from other savings associations, commercial banks and mortgage banking companies.

First Palmetto competes for loans principally through the interest rates and loan fees it charges and the efficiency and quality of the services it provides borrowers, real estate brokers and home builders. First Palmetto competes for deposits by offering depositors a wide variety of savings accounts, checking accounts, convenient office locations, drive-in facilities, tax-deferred retirement programs, travelers checks, money orders, safety deposit boxes and other miscellaneous services.

Employees

First Palmetto and its subsidiaries had 137 full time employees at September 30, 1996. None of First Palmetto's employees are represented by a collective bargaining agreement, and First Palmetto believes that it enjoys good relations with its personnel.

First Palmetto currently maintains a comprehensive employee benefit program for qualified employees providing among other benefits, health insurance, life insurance, long-term disability insurance, pension plans and stock option plans.

REGULATION

Savings Association Regulation

General. As a savings association, First Palmetto is subject to extensive regulation by the OTS for compliance with various regulatory requirements. The FDIC also has the authority to conduct special examinations. First Palmetto must file reports with OTS describing its activities and financial condition. It is also subject to certain reserve requirements promulgated by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). This supervision and regulation is intended primarily for the protection of depositors. Certain of these regulatory requirements are referred to below or appear elsewhere herein.

Regulatory Capital Requirements. Under OTS regulations, savings associations must maintain "tangible" capital equal to 1.5% of adjusted total assets, "core" capital equal to 3.0% of adjusted total assets and a combination of core and "supplementary" capital equal to 8.0% of "risk-weighted" assets. In addition, the OTS has adopted regulations which impose certain restrictions on savings associations that have a total risk-based capital ratio that is less than 8.0%, a ratio of Tier 1 capital to adjusted total assets of less than 4.0% (or 3.0% if the institution is rated composite 1 under the OTS examination rating system). For the purpose of these regulations, Tier 1 capital has the same definition as core capital. See "--Prompt Corrective Regulatory Action." Core capital is defined as common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, minority interests in the equity accounts of fully consolidated subsidiaries, certain nonwithdrawable accounts and pledged deposits and "qualifying supervisory goodwill." Core capital is generally reduced by the amount of a savings association's intangible assets, with limited exceptions for mortgage servicing rights ("MSRs"), purchased credit card relationships and certain grandfathered intangible assets. Tangible capital is given the same definition as core capital, with the exception that qualifying supervisory goodwill is not included, and is reduced by the amount of a savings association's intangible assets, with limited exceptions for MSRs and certain grandfathered intangibles.

At September 30, 1996, First Palmetto's tangible capital ratio was 4.8%, its core capital ratio was 5.0% and its risk-based capital ratio was 10.1%. At that date, First Palmetto had $848,000 of qualifying intangible assets and $201,000 of investments in and extensions of credit to subsidiaries engaged in activities not permissible for national banks.

The following table reconciles the Bank's stockholders' equity under generally accepted accounting principles at September 30, 1996 to its tangible capital, core capital and total regulatory capital.

<TABLE>
<CAPTION>

<S>	(Dollars in thousands) <C>
Stockholder's equity under generally accepted accounting principles	$19,064
Less:	
Unrealized gain on certain available-for-sale securities	(18)
Deductible investments in and extensions of credit to subsidiary	(201)
Deductible intangible assets	(2,623)
Tangible capital	16,222
Add:	
Grandfathered core deposit intangible	848
Core capital	17,070
Add:	
Allowances for loan losses	2,364
Total capital	$19,434
Tangible capital as a percentage of adjusted total assets	4.8%
Core capital as a percentage of adjusted total assets	5.0%
Total capital as a percentage of risk-weighted assets	10.1%

</TABLE>

The following table sets forth First Palmetto's capital position relative to its various minimum regulatory capital requirements at September 30, 1996.

<TABLE>
<CAPTION>

<S>	Amount <C>	Percent of Assets (a) <C>
	(Dollars in thousands)	
Tangible Capital	$16,222	4.8%
Tangible Capital Requirement	5,106	1.5
Excess	$11,116	3.3%
Core Capital	$17,070	5.0%
Core Capital Requirement	10,237	3.0
Excess	$ 6,833	2.0%
Total Capital (i.e., Core and Supplementary Capital)	$19,434	10.1%
Risk-Based Capital Requirement	15,377	8.0
Excess	$ 4,057	2.1%

</TABLE>

(a) Percent of adjusted total assets for the purposes of the tangible and core capital requirements and risk-weighted assets for the purpose of the risk-based capital requirement.

In addition to requiring generally applicable capital standards for savings associations, the Director of OTS is authorized to establish the minimum level of capital for a savings association at such amount or at such ratio of capital-to-assets as the Director determines to be necessary or appropriate for such association in light of the particular circumstances of the association. The Director of OTS may treat the failure of any savings association to maintain capital at or above such level as an unsafe or unsound practice and may issue a directive requiring any savings association which fails to maintain capital at or above the minimum level required by the Director to submit and adhere to a plan for increasing capital. Such an order may be enforced in the same manner as an order issued by the FDIC.

In addition, the OTS risk-based capital requirements require savings institutions with more than a "normal" level of interest rate risk to maintain additional total capital. A savings institution's interest rate risk is measured in terms of the sensitivity of its "net portfolio value" to changes in interest rates. Net portfolio value is defined, generally, as the present value of expected cash inflows from existing assets and off-balance sheet contracts less the present value of expected cash outflows from existing liabilities. A savings institution is considered to have a "normal" level of interest rate risk exposure if the decline in its net portfolio value after an immediate 200 basis point increase or decrease in market interest rates (whichever results in the greater decline) is less than two percent of the current estimated economic value of its assets. A savings institution with a greater than normal interest rate risk will be required to deduct from total capital, for purposes of calculating its risk-based capital requirement, an amount equal to one-half the difference between the institution's measured interest rate risk and the normal level of interest rate risk, multiplied by the economic value of its total assets. The OTS, however, has indefinitely delayed enforcement of its interest rate risk capital requirements.

Federal Home Loan Bank System. First Palmetto is a member of the FHLB System, which consists of 12 regional Federal Home Loan Banks subject to supervision and regulation by the Federal Housing Finance Board ("FHFB"). The FHLB provides a central credit facility primarily for member associations. As a member of the FHLB of Atlanta, First Palmetto is required to acquire and hold shares of capital stock in the FHLB of Atlanta in an amount at least equal to 1% of the aggregate unpaid principal of its home mortgage loans, home purchase contracts, and similar obligations at the beginning of each year, or 1/20 of its advances (borrowings) from the FHLB of Atlanta, whichever is greater. First Palmetto was in compliance with this requirement with an investment in FHLB of Atlanta stock at September 30, 1996 of $2.1 million. As of September 30, 1996, First Palmetto had outstanding advances of $32.5 million from the FHLB of Atlanta.

Liquidity Requirements. Savings associations are required to maintain average daily balances of liquid assets (cash, certain time deposits, bankers' acceptances, highly rated corporate debt and commercial paper, securities of certain mutual funds, and specified United States government, state or federal agency obligations) equal to the monthly average of not less than a specified percentage (currently 5%) of their net withdrawable savings deposits plus short-term borrowings. Savings associations also are required to maintain average daily balances of short-term liquid assets at a specified percentage (currently 1%) of the total of their net withdrawable savings accounts and borrowings payable in one year or less. Monetary penalties may be imposed for failure to meet liquidity requirements. At September 30, 1996, First Palmetto exceeds the liquidity percentages required.

Qualified Thrift Lender Test. The Home Owners' Loan Act ("HOLA") requires all savings institutions to meet a Qualified Thrift Lender ("QTL") test or to suffer a number of sanctions, including restrictions on activities. Under the statutory QTL test, a savings institution is required to maintain at least 65% of its "portfolio assets" in certain "Qualified Thrift Investments" in at least nine months of the most recent 12-month period. The QTL provisions of the HOLA in effect through September 30, 1996 defined Qualified Thrift Investments to include, among other things, (i) loans, equity positions or securities related to domestic, residential real estate or manufactured housing, (ii) 50% of the dollar amount of residential mortgage loans subject to sale under certain conditions and (iii) subject to an aggregate 20% of portfolio assets limit, loans for personal, family, household or education purposes (subject to a 10% limit) and 200% of an institution's investments in loans to finance "starter homes" and loans for construction, development or improvement of housing and community service facilities or for financing small business in "credit needy" areas. Legislation enacted into law on September 30, 1996, as part of the 1997 Appropriations Bill made certain amendments to the HOLA that significantly liberalize the QTL test. First, the new law permits loans to small businesses, student loans and credit card loans to be counted as Qualified Thrift Investments without percentage limits. The current 10% limit on all other loans to households is eliminated by the new law, and such loans may now be counted toward the QTL test within the 20% of portfolio assets limit. In addition, the new statute amends the QTL test to provide that a savings institution may be considered a qualified thrift lender either (i) by satisfying the HOLA's QTL requirements or (ii) by qualifying as a "domestic building and loan association" as defined under the Internal Revenue Code (the "Code"). In order for a savings association to be defined as a domestic building and loan, at least 60% of its total assets must consist of specific types of assets, including cash, certain types of government securities, loans secured by and other assets related to residential real property, educational loans, and investments in premises of the association. At September 30, 1996, the Bank was a "domestic building and loan association" as defined under the Code.

Loans-to-One-Borrower Limitations. Savings institutions generally are subject to the lending limits applicable to national banks. With certain limited exceptions, the maximum amount that a savings institution or a national bank may lend to any borrower (including certain related entities of the borrower) at one time may not exceed 15% of the unimpaired capital and surplus of the institution, plus an additional 10% of unimpaired capital and surplus for loans fully secured by readily marketable collateral. Savings institutions are additionally authorized to make loans to one borrower, for any purpose, in an amount not to exceed $500,000 or, by order of the Director of OTS, in an amount not to exceed the lesser of $30,000,000 or 30% of unimpaired capital and surplus to develop residential housing, provided: (i) the purchase price of each single-family dwelling in the development does not exceed $500,000; (ii) the savings institution is in compliance with its fully phased-in capital requirements; (iii) the loans comply with applicable loan-to-value requirements; and (iv) the aggregate amount of loans made under this authority does not exceed 150% of unimpaired capital and surplus.

At September 30, 1996, First Palmetto's loans-to-one borrower limit was $3.0 million, and First Palmetto did not have any loans over its limit.

Real Estate Lending Standards. Under OTS regulations, savings associations must adopt and maintain written policies that establish appropriate limits and standards for extensions of credit that are secured by liens or interests in real estate or are made for the purpose of financing permanent improvements to real estate. These policies must establish loan portfolio diversification standards, prudent underwriting standards, including loan-to-value limits, that are clear and measurable, loan administration procedures and documentation, approval and reporting requirements. The real estate lending policies must reflect consideration of the Interagency Guidelines for Real Estate Lending Policies (the "Interagency Guidelines") that have been adopted by the federal bank regulators. First Palmetto believes that its current lending policies conform to the requirements.

Deposit Insurance. First Palmetto is required to pay assessments based on a percent of its insured deposits to the FDIC for insurance of its deposits by the SAIF. Under the Federal Deposit Insurance Act (the "FDI Act"), the FDIC is required to set semiannual assessments for SAIF-insured institutions to maintain the designated reserve ratio of the SAIF at 1.25% of estimated insured deposits

or at a higher percentage of estimated insured deposits that the FDIC determines to be justified for that year by circumstances raising a significant risk of substantial future losses to the SAIF.

Pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), the FDIC established a risk-based assessment system for determining the deposit insurance assessments to be paid by insured depository institutions. Under its risk-based assessment system, the FDIC assigns an institution to one of three capital categories based on the institution's financial information as of the reporting period ending seven months before the assessment period. The three capital categories consist of (a) well-capitalized, (b) adequately capitalized or (c) undercapitalized, and use the same percentage criteria as under the prompt corrective action regulations. See "-- Prompt Corrective Regulatory Action". The FDIC also assigns an institution to one of three supervisory subcategories within each capital group. The supervisory subgroup to which an institution is assigned is based on a supervisory evaluation provided to the FDIC by the institution's primary federal regulator and information that the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance funds. An institution's assessment rate depends on the capital category and supervisory category to which it is assigned. Under the regulation, there are nine assessment risk classifications (i.e., combinations of capital groups and supervisory subgroups) to which different assessment rates are applied. For the first nine months of 1996, the assessment rate for SAIF-insured institutions ranged from 0.23% of deposits for well-capitalized institutions in the highest supervisory subgroup, to 0.31% of deposits for undercapitalized institutions in the lowest supervisory subgroup.

The FDIC recently amended the risk-based assessment schedule for depository institutions with deposits insured by the Bank insurance Fund ("BIF"), resulting in a dramatic reduction in FDIC assessments for BIF-Insured institutions. Beginning with the first half of 1996, the FDIC reduced the BIF assessment rate for "well-capitalized" banks without any significant supervisory concerns to the statutory minimum of $2,000 annually, and the rates for other BIF-insured banks ranged from zero to 0.27% of deposits for 1996.

In response to the SAIF/BIF assessment disparity, the Deposit Funds Insurance Act of 1996 (the "1996 Act") was enacted into law on September 30, 1996 as part of the 1997 Appropriations Bill. The 1996 Act amended the FDI Act in several ways to recapitalize the SAIF and reduce the disparity between the assessment rates for the BIF and the SAIF. The 1996 Act authorized the FDIC to impose a special assessment on all institutions with SAIF-assessable deposits in the amount necessary to recapitalize the SAIF to the required reserve ratio of 1.25%. Pursuant to FDIC regulations implementing the 1996 Act, SAIF-insured institutions on November 27, 1996, paid a special assessment (subject to adjustment in certain limited cases) equal to 65.7 basis points per $100 of each institution's SAIF-assessable deposits as of March 31, 1995. The 1996 Act provides the amount of the special assessment will be deductible for federal income tax purposes for the taxable year in which the special assessment is paid. Based on the foregoing, the Bank recorded an accrual for the special assessment of $1.3 million at September 30, 1996. The impact on operations, net of related tax effects, reduced net income by $813,000 for the year ended September 30, 1996.

In view of the recapitalization of the SAIF, on October 8, 1996, the FDIC proposed to reduce the assessment rate for SAIF-assessable deposits for periods beginning on October 1, 1996. Under the FDIC's proposal, the proposed deposit

insurance assessment rates for SAIF-insured institutions, like the Bank, range from 18 to 27 basis points for the last quarter of 1996 and would range from 0 to 27 basis points for the following periods.

In addition, the 1996 Act expanded the assessment base for the payments on the bonds (the "FICO bonds") issued in the late 1980s by the Financing Corporation in the recapitalization of the now defunct Federal Savings and Loan Insurance Corporation to include the deposits of both BIF- and SAIF-insured institutions beginning January 1, 1997. Until December 31, 1999, or such earlier date on which the last savings association ceases to exist, the rate of assessment imposed on BIF-assessable deposits will be one-fifth of the rate imposed on SAIF-assessable deposits. The rates of assessment for the payment of the interest on FICO bonds will be approximately 1.3 basis points for BIF-assessable deposits and approximately 6.4 basis points for SAIF-assessable deposits.

The 1996 Act also provides that the FDIC has no authority to assess regular insurance assessments for the SAIF or the BIF unless required to maintain or to achieve the designated reserve ratio of 1.25%, except for such assessments on institutions that are not classified as "well-capitalized" or that have been found to have "moderately severe" or "unsatisfactory" financial, operational or compliance weaknesses. The Bank is classified as "well-capitalized" and has not been found by the OTS to have such supervisory weaknesses. Accordingly, assuming that the designated reserve ratio is maintained by the SAIF after the collection of the special SAIF assessment, First Palmetto, as long as it maintains its capital and supervisory status, will pay substantially lower FDIC assessments compared to those it paid in recent years.

The FDIC has adopted a regulation which provides that any insured depository institution with a ratio of Tier 1 capital (generally the same as "core capital" as defined under OTS capital regulations) to total assets of less than 2%, unlike First Palmetto, will be deemed to be operating in an unsafe or unsound condition, which would constitute grounds for the initiation of termination of deposit insurance proceedings. The FDIC, however, will not initiate termination of insurance proceedings if the depository institution has entered into and is in compliance with a written agreement with its primary regulator, and the FDIC is a party to the agreement, to increase its Tier 1 capital to such level as the FDIC deems appropriate. Insured depository institutions with Tier 1 capital equal to or greater than 2% of total assets may also be deemed to be operating in an unsafe or unsound condition notwithstanding such capital level. The regulation further provides that in considering applications that must be submitted to it by savings associations, the FDIC will take into account whether the savings association is meeting with the Tier 1 capital requirement for state non-member banks of 4% of total assets for all but the most highly rated state non-member banks.

Standards for Safety and Soundness. The FDI Act, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994, requires that the OTS, together with the other federal bank regulatory agencies, to prescribe standards, by regulation or guideline, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation, and compensation, fees and benefits and such other operational and managerial standards as the agencies deem appropriate. The OTS and the federal bank regulatory agencies adopted, effective August 9, 1995, a set of guidelines prescribing safety and soundness standards pursuant to the statute. The safety and soundness guidelines establish standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and

benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer employee, director or principal stockholder. The OTS safety and soundness guidelines authorize, but do not require, the OTS to order an institution that has been given notice by the OTS that is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the OTS must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized association is subject under the "prompt corrective action" provisions of FDICIA. If an institution fails to comply with such an order, the OTS may seek to enforce such order in judicial proceedings and to impose civil money penalties.

In addition, on July 10, 1995, the OTS and the federal bank regulatory agencies proposed guidelines for asset quality and earnings standards. Under the proposed standards, a savings association would be required to maintain systems, commensurate with its size and the nature and scope of its operations, to identify problem assets and prevent deterioration in those assets as well as to evaluate and monitor earnings and ensure that earnings are sufficient to maintain adequate capital and reserves. Management believes that the asset quality and earnings standards, in the form proposed by the banking agencies, would not have a material effect on the operations of the Bank.

Prompt Corrective Regulatory Action. Under FDICIA, the federal banking regulators are required to take prompt corrective action in respect of depository institutions that do not meet certain minimum capital requirements, including a leverage limit and a risk-based capital requirement. All institutions, regardless of their capital levels, are restricted from making any capital distribution or paying any management fees that would cause the institution to become under capitalized. As required by FDICIA, the banking regulators, including the OTS, issued regulations that classify insured depository institutions by capital levels and provide that the appropriate agency will take various prompt corrective actions to resolve the problems of any institution that fails to satisfy the capital standards.

Under the prompt corrective action regulations, a "well-capitalized" institution is one that is not subject to any regulatory order or directive to meet any specific capital level and that has or exceeds the following capital levels: a total risk-based capital ratio of 10%, a Tier 1 risk-based capital ratio of 6%, and a leverage ratio of 5%. An "adequately capitalized" institution is one that does not qualify as "well-capitalized" but meets or exceeds the following capital requirements: a total risk-based capital of 8%, a Tier 1 risk-based capital ratio of 4%, and a leverage ratio of either (i) 4% or (ii) 3% if the bank has the highest composite examination rating. An institution not meeting these criteria is treated as "undercapitalized," "significantly undercapitalized," or "critically undercapitalized" depending on the extent to which the institution's capital levels are below the adequately capitalized standards. An institution that falls within any of the three "undercapitalized" categories will be subject to certain severe regulatory sanctions required by FDICIA and the implementing regulations.

The table below presents First Palmetto's capital position at September 30, 1996, relative to the various minimum regulatory capital requirements under the prompt corrective action regulations.

	Amount	Percent of Assets (1)
	(Dollars in thousands)	
Tangible equity	$16,222	4.8%
Tangible equity requirement	6,820	2.0
Excess	$ 9,402	2.8%
Tier 1 or leverage capital	$17,070	5.0%
Tier 1 or leverage capital requirement	13,640	4.0
Excess	$ 3,430	1.0%
Tier 1 risk-based capital	$19,434	10.1%
Tier 1 risk-based capital requirement	7,688	4.0
Excess	$11,746	6.1%
Risk-based capital	$19,434	10.1%
Risk-based capital requirement	15,377	8.0
Excess	$ 4,057	2.1%

(1) Based upon adjusted total assets for purposes of the tangible equity and Tier 1 or leverage capital requirements, and risk-weighted assets for purposes of the Tier 1 risk-based and risk-based capital requirements.

Federal Reserve System. Pursuant to regulations of the Federal Reserve Board, a thrift association must maintain average daily reserves. No reserves are required to be maintained on the first $4.3 million of transaction accounts, and reserves equal to 3% must be maintained on the next $52 million of transaction accounts, plus reserves equal to 10% on the remainder. These percentages are subject to adjustment by the Federal Reserve Board. Because required reserves must be maintained in the form of vault cash or in a non-interest bearing account at a Federal Reserve Bank, the effect of the reserve requirement is to reduce the amount of the association's interest-earning assets. First Palmetto meets its reserve requirements.

Dividend Limitations. Under OTS regulations, First Palmetto may not pay dividends on its capital stock if its regulatory capital would thereby be reduced below the amount then required for the liquidation account established for the benefit of certain depositors of First Palmetto at the time of its conversion to stock form. In addition, savings association subsidiaries of savings and loan holding companies are required to give OTS 30 days prior notice of any proposed declaration of dividend to the holding company.

Federal regulations impose limitations on the payment of dividends and other capital distributions (including stock repurchases and cash mergers) by First Palmetto. Under these regulations, a savings association that, immediately prior to, and on a pro forma basis after giving effect to, a proposed capital distribution, has total capital (as defined by OTS regulation) that is equal to or greater than the amount of its fully phased-in capital requirements (a "Tier 1 Association") is generally permitted without OTS approval, to make capital distributions during a calendar year in the amount equal to the greater of (i) 75% of net income for the previous four quarters or (ii) up to 100% of its net income to date during the calendar year plus an amount that would reduce by one-half the

amount by which its total capital to assets ratio exceeded its fully phased-in capital requirement to assets ratio at the beginning of the calendar year. At September 30, 1996, the Bank was a Tier 1 Association.

The Bank is prohibited from making any capital distributions if after making the distribution, it would be undercapitalized as defined in the OTS' prompt corrective action regulations. See "--Prompt Corrective Regulatory Action." After consultation with the FDIC, the OTS may permit a savings association to repurchase, redeem, retire or otherwise acquire shares or ownership interests if the repurchase, redemption, retirement or other acquisition; (i) is made in connection with the issuance of additional shares or other obligations of the institution in at least an equivalent amount; and (ii) will reduce the institution's financial obligations or otherwise improve the institution's financial condition.

In addition to the foregoing, earnings of First Palmetto appropriated to bad debt reserves and deducted from Federal income tax purposes are not available for payment of cash dividends without payment of taxes at the then current tax rate by First Palmetto on the amount of earnings removed from the reserves for such distributions. See "--Taxation." First Palmetto intends to make full use of this favorable tax treatment afforded to the Bank and First Palmetto and does not contemplate use of any earnings of the Bank in a manner which would limit the Bank's bad debt deduction or create federal tax liabilities.

Savings and Loan Holding Company Regulation

First Palmetto is a savings and loan holding company within the meaning of the Home Owners' Loan Act. As such, First Palmetto is registered with the OTS and is subject to regulations, examinations, supervision and reporting requirements. As a subsidiary of First Palmetto, the Bank is subject to certain restrictions in its dealing with First Palmetto and any affiliates of First Palmetto. First Palmetto also is required to file certain reports with, and otherwise comply with the rules and regulations of, the Securities and Exchange Commission ("SEC") under the federal securities laws.

Activities Restrictions. The Board of Directors of First Palmetto presently intends to continue to operate First Palmetto as a unitary savings and loan holding company. There are generally no restrictions on the activities of a unitary savings and loan holding company. However, if the Director of the OTS determines that there is reasonable cause to believe that the continuation by a savings and loan holding company of an activity constitutes a serious risk to the financial safety, soundness or stability of its subsidiary savings institution, the Director of the OTS may impose such restrictions as deemed necessary to address such risk including limiting: (i) payment of dividends by the savings institution; (ii) transactions between the savings institution and its affiliates; and (iii) any activities of the savings institution that might create a serious risk that the liabilities of the holding company and its affiliates may be imposed on the savings institution.

Restrictions on Acquisitions. A savings and loan holding company must obtain prior approval of the Director of OTS before acquiring (i) control of any other savings association or savings and loan holding company or substantially all the assets thereof or (ii) more than 5% of the voting shares of a savings association or holding company thereof which is not a subsidiary. Except with the prior approval of the Director of OTS, no director or officer of a savings and loan holding company or person owning or controlling by proxy or otherwise more than 25% of such company's stock, may also acquire control of any savings association, other than a subsidiary savings association, or of any other savings and loan holding company.

The OTS has amended its regulations to permit federal savings institutions to branch in any state or states of the United States and its territories. Except in supervisory cases or when interstate branching is otherwise permitted by state law or other statutory provision, a federal savings institution may not establish an out-of-state branch unless (i) it qualifies as a "domestic building and loan association" under {7701(a)(19) of the Internal Revenue Code of 1986 as amended ("the Code") and the total assets attributable to all branches of the association in the state would qualify such branches taken as a whole for treatment as a domestic building and loan association and (ii) such branch would not result in (a) formation of a prohibited multi-state multiple savings and loan holding company or (b) a violation of certain statutory restrictions on branching by savings association subsidiaries of banking holding companies. A federal savings institution generally may not establish new branches unless it meets or exceeds minimum regulatory capital requirements. The OTS will also consider the institution's record of compliance with the Community Reinvestment Act of 1977 in connection with any branch application.

Transactions with Affiliates. Transactions between savings associations and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a savings association is any company or entity which controls, is controlled by or is under common control with the savings association. In a holding company context, the parent holding company of a savings association (such as First Palmetto and any companies which are controlled by such parent holding company) are affiliates of the savings association. Generally, Sections 23A and 23B (i) limit the extent to which the savings association or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such association's capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the association or subsidiary as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and similar other types of transactions. In addition to the restrictions imposed by Sections 23A and 23B, no savings association may (i) loan or otherwise extend credit to an affiliate, except for an affiliate which engages only in activities which are permissible for bank holding companies, or (ii) purchase or invest in any stocks, bonds, debentures, notes or similar obligations of any affiliate, except for affiliates which are subsidiaries of the savings association.

Savings associations are also subject to the restrictions contained in Section 22(h) of the Federal Reserve Act on loans to executive officers, directors and principal shareholders. Under Section 22(h), loans to an executive officer and to holders of more than 10% of any class of a savings association's voting stock, and certain affiliated entities of either, may not exceed together with all other outstanding loans to such person and affiliated entities the association's loans to one borrower limit (generally equal to 15% of the association's unimpaired capital and surplus). Section 22(h) also prohibits loans, above the amounts prescribed by the appropriate federal banking agency, to directors, executive officers and holders of more than 10% of any class of a savings associations' voting stock, and their respective affiliates, unless such is approved in advance by a majority of the board of directors of the association with an "interested" director not participating in the voting. The Federal Reserve Board has prescribed the loan amount (which includes all other outstanding loans to such person), as to which such prior board of directors approval is required, as being the greater of $25,000 or 5% of capital and surplus (up to $500,000). Further, to Section 22(h) requires that loans to directors, executive

officers and principal shareholders be made on terms substantially the same as offered in comparable transactions to other persons. Section 22(h) also prohibits a depository institution from paying the overdraft of any of its executive officers or directors.

Savings associations are further subject to the requirements and restrictions of Section 22(g) of the Federal Reserve Act on loans to executive officers and the restrictions of 12 U.S.C. {1972 on certain tying arrangements and extensions of credit by correspondent banks. Section 22(g) of the Federal Reserve Act requires that loans to executive officers of depository institutions not be made on terms more favorable than those afforded to other borrowers, and imposes reporting requirements for any additional restrictions on the type, amount and terms of credits to such officers. Section 1972 prohibits (i) a depository institution from extending credit to or offering any other services, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or certain of its affiliates or not obtain services of a competitor of the institution, subject to certain exceptions, and (ii) extensions of credit to executive officers, directors, and greater than 10% stockholders of a depository institution by any other institution which has a correspondent banking relationship with the institution, unless such extension of credit is on substantially the same terms as those prevailing at the time for comparable transactions with other persons and does not involve more than the normal risk of repayment or present unfavorable features.

Taxation

General. First Palmetto files consolidated federal income tax returns on a September 30 fiscal year end basis. Consolidated returns have the effect of eliminating intercompany distributions, including dividends, from the computation of consolidated taxable income for the taxable year in which the distributions occur.

Federal Income Taxation. Savings associations generally are subject to the provisions of the Code in the same general manner as other corporations. However, savings institutions such as the Bank which meet certain definitional tests and other conditions prescribed by the Code may benefit from certain favorable provisions regarding their deductions from taxable income for annual additions to their bad debt reserve. For purposes of the bad debt reserve deduction, loans are separated into "qualifying real property loans," which generally are loans secured by interest in certain real property, and nonqualifying loans, which are all other loans. The bad debt reserve deduction with respect to nonqualifying loans must be based on actual loss experience. The amount of the bad debt reserve deduction with respect to qualifying real property loans may be based upon actual loss experience (the "experience method") or a percentage of taxable income determined without regard to such deduction (the "percentage of taxable income method"). For the three years ended September 30, 1996, 1995 and 1994, First Palmetto has calculated the bad debt reserve deduction based upon the percentage of taxable income method.

Under the percentage of taxable income method, the bad debt reserve deduction for qualifying real property loans is computed as a percentage, which

Congress has reduced from as much as 60% in prior years to 8% of taxable income, with certain adjustments, effective for taxable years beginning after 1986.

The bad debt deduction under the percentage of taxable income method is subject to certain limitations. First, the amount added to the reserve for losses on qualifying real property loans may not exceed the amount necessary to increase

the balance of such reserve at the close of the taxable year to 6% of such loans outstanding at the end of the taxable year. Further, the addition to the reserve for losses on qualifying real property loans cannot exceed the amount which, when added to that year's addition to the bad debt reserve for losses on nonqualifying loans, equals the amount by which 12% of total deposits or withdrawable accounts of depositors at year-end exceeds the sum of surplus, undivided profits and reserves at the beginning of the year. Finally, the percentage bad debt deduction under the percentage of taxable income method is reduced by the deduction for losses on nonqualifying loans.

Under legislation enacted on August 20, 1996, the percentage of taxable income method was repealed for tax years beginning after December 31, 1995. In future years, the Bank must use the "Bank" experience method or the specific write-off method. Under the recent legislation, the Bank will also be required to recapture into income the portion of its bad debt reserves that exceeds its base year reserves. The amount of bad debt reserves subject to recapture over six years for the Bank is $1.2 million. The portion of the Bank's tax bad debt reserve that is not recaptured under the new law (*i.e.*, the Bank's base year reserves of $4.6 million) is subject to recapture at a later date only under certain limited circumstances, including stock repurchases or redemptions by the thrift or the conversion of the thrift to a type of institution (such as a credit union) that is not considered a bank for tax purposes. Importantly, the new law eliminated any further recapture in the event that a savings association converts to a commercial bank charter or is acquired by a bank.

First Palmetto's federal income tax returns have not been audited since 1984.

State Income Taxation. Under South Carolina law, First Palmetto is required to pay income tax at the rate of 6% of net income, as defined in the South Carolina statute. This tax is imposed on financial associations in lieu of the general state business corporation income tax. State income taxation of First Palmetto has not been material.

Accounting Changes. The FASB has issued SFAS No. 122, "Accounting for Certain Mortgage Banking Activities," which requires that a mortgage banking enterprise recognize as separate assets the rights to service mortgage loans for others, however those servicing rights are acquired. A mortgage banking enterprise that acquires mortgage servicing rights through either the purchase or origination of mortgage loans and sells or securitizes those loans with servicing rights retained should allocate the total cost of the mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values if it is practicable to estimate those fair values. If it is not practicable to estimate the fair values of the mortgage servicing rights and the mortgage loans (without the mortgage servicing rights), the entire cost of purchasing or originating the loans should be allocated only to the mortgage loans without the mortgage servicing rights. Additionally, this standard requires that a mortgage banking enterprise periodically assess its capitalized mortgage servicing rights for impairment based on the fair value of those rights. This statement is effective for years beginning after December 15, 1995. Management has not determined the impact that adoption of SFAS No. 122 will have on the financial statements.

The FASB has also issued SFAS No. 123 "Accounting for Stock - Based Compensation". SFAS No. 123 established a fair value-based method of accounting for stock options and other equity instruments. It requires the use of that method for transactions with other than employees and encourages its use for transactions with employees. It permits entities to continue to use the

intrinsic value method included in Accounting Principles Board ("APB") 25 (Accounting for Stock Issued to Employees), but regardless of the method used to account for the compensation cost associated with stock option and similar plans, it requires employers to disclose information in accordance with SFAS No. 123.

The general principle underlying SFAS No. 123 is that equity instruments are recognized at the fair value of the consideration received for them. If the fair value of the consideration received cannot be reasonably determined, the fair value of the equity instrument itself may be used. The fair value method of accounting for stock options and other instruments applies this general principle, measuring compensation cost for employers as the excess of the fair value of the equity instrument over the amount paid by the employee.

The FASB has also issued SFAS No 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 125 established accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on the consistent application of the financial-components approach. This approach requires the recognition of financial assets and servicing assets that are controlled by the reporting entity, the derecognition of financial assets when control is surrendered, and the derecognition of liabilities when they are extinguished. Specific criteria are established for determining when control has been surrendered in the transfer of financial assets.

Liabilities and derivatives incurred or obtained by transferors in conjunction with the transfer of financial assets are required to be measured at fair value, if practicable. Servicing assets and other retained interests in transferred assets are required to be measured by allocating the previous carrying amount between the assets sold, if any, and the interest that is retained, if any, based on the relative fair values of the assets at the date of the transfer. Servicing assets retained are subsequently subject to amortization and assessment for impairment.

SFAS No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996. It is to be applied prospectively; earlier or retroactive application is not permitted. Management does not expect that adoption of SFAS No. 125 will have a material impact on the consolidated financial statements of First Palmetto.

Item 2. Properties

The following table sets forth the locations of First Palmetto's offices, as well as certain additional information relating to those offices, as of September 30, 1996.

<TABLE>
<CAPTION>

Office Location	Year Facility Commenced Operations	Leased or Owned	Approximate Square Footage	Net Book Value
<S>	<C>	<C>	<C>	<C>
Main Office 407 DeKalb Street Camden, S.C. 29020	1963	Owned	10,337	$594,525
Beaufort Branch Office 921 Bay Street Beaufort, SC 29902	1995	Leased (Expires 1998)	2,300	$ 35,252
Bishopville Branch Office 104 East Church Street Bishopville, S.C. 29010	1994	Leased (Expires 2000, with five year renewal option)	1,300	$ -
Camden Operations Center Broad and DeKalb Street Camden, S.C. 29020	1934	Owned	7,900	$241,719
Columbia Branch Offices 3932 Forest Drive Columbia, S.C. 29206	1988	Owned	4,950	$566,665
9221 Two Notch Road Columbia, S.C. 29223	1980	Leased (Expires 1999, with two ten year renewal options)	2,200	$ 41,663
Darlington Branch Office 266 Cashua Street Darlington, S.C. 29532	1992	Owned	1,600	$ -
Dusty Bend Branch Office 2310 North Broad Street Camden, S.C. 29020	1981	Leased (Expires 2002, with ten year	1,600	$ 37,611

		renewal option)		
Elgin Branch Office Highway #1 Elgin, S.C. 29045	1986	Leased (Expires 1996, with ten year renewal option)	1,200	$ 60,090
Irmo Branch Office 7327 St. Andrews Road Irmo, S.C. 29063	1996	Owned	2,200	$526,955

</TABLE>

<TABLE>
<CAPTION>

Office Location	Year Facility Commenced Operations	Leased or Owned	Approximate Square Footage	Net Book Value
<S>	<C>	<C>	<C>	<C>
Kershaw Branch Office 301 Hampton Street Kershaw, S.C. 29067	1996	Owned	2,850	$387,658
Lancaster Branch Office 977 North Main Street Lancaster, S.C. 29721	1973	Leased (Expires 1998, with two year renewal option)	3,040	$ 25,414
Lugoff Branch Office Highway #1 South Lugoff, S.C. 29078	1969	Owned	3,900	$810,751
Manning Branch Office 111 N. Brooks Street Manning, SC 29102	1995	Owned	4,000	$215,617
Pageland Branch Office 201 N. Pearl Street Pageland, S.C. 29728	1994	Owned	1,300	$329,352
Pontiac Branch Office 10540 Two Notch Road Elgin, S.C. 29045	1989	Leased (Expires 2019, with ten year renewal option)	1,300	$ 83,964

</TABLE>

Item 3. Legal Proceedings

Although First Palmetto, from time to time, is involved in various legal proceedings occurring in the ordinary course of business, there are no material legal proceedings to which First Palmetto or its subsidiary is a party or to which any of their property is subject.

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

No matters were submitted to a vote of security holders during the final quarter of fiscal 1996.

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The information required by this item is incorporated by reference to the section captioned "Corporate Information -- Common Stock Information" in the Annual Report.

Item 6. Selected Financial Data

The information required by this item is incorporated by reference to the tables captioned "Selected Consolidated Financial and Other Data" in Part I of this report.

PART II

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item is incorporated by reference to the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report.

Item 8. Financial Statements and Supplementary Data

First Palmetto's Consolidated Statements of Financial Condition at September 30, 1996 and 1995, Consolidated Statements of Income for the three years ended September 30, 1996, Consolidated Statements of Stockholders' Equity for the three years ended September 30, 1996, and Consolidated Statements of Cash Flows for the three years ended September 30, 1996, together with the related notes and report of KPMG Peat Marwick, LLP, independent certified public accountants, are contained in the Annual Report and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

For information concerning the Board of Directors of First Palmetto, the information contained under the section captioned "Election of Directors" in First Palmetto's definitive proxy statement for First Palmetto's 1997 Annual Meeting of Stockholders (the "Proxy Statement") is incorporated herein by reference. For information concerning the executive officers of First Palmetto, see "Item 1, Business -- Executive Officers of the Registrant," which is incorporated herein by reference.

Item 11. Executive Compensation

The information contained under the section captioned "Election of Directors -- Executive Compensation" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned "Principal Holders of Common Stock" of the Proxy Statement.

(b) Security Ownership of Management

Information required by this item is incorporated herein by reference to the sections captioned "Stock Ownership of Management" of the Proxy Statement.

(c) Changes in Control

Management of First Palmetto knows of no arrangements, including any pledge by any person of securities of First Palmetto, the operation of which may at a subsequent date result in a change of control of First Palmetto.

Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated herein by reference to the section captioned "Election of Directors -- Certain Transactions" of the Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) Financial Statements - The following financial statements are included in the Annual Report. The remaining information appearing in the Annual Report is not deemed to be filed as part of this report, except as expressly provided herein.

1. Certified Public Accountant's Report
2. Consolidated Statements of Financial Condition at September 30, 1996 and 1995
3. Consolidated Statements of Income for the Years Ended September 30, 1996, 1995 and 1994
4. Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 1996, 1995 and 1994
5. Consolidated Statements of Cash Flows for the Years Ended September 30, 1996, 1995 and 1994
6. Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules - All financial statement schedule have been omitted as the required information is either inapplicable or included in the Consolidated Financial Statements or related notes.

(a)(3) Exhibits - The following exhibits are either filed as part of this report or are incorporated herein by reference:

Exhibit No. 3.1	Restated Certificate of Incorporation of First Palmetto Financial Corporation (incorporated by reference to Exhibit 3.1 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)
Exhibit No. 3.2	Bylaws of First Palmetto Financial Corporation (incorporated by reference to Exhibit 3.2 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)
Exhibit No. 10.1	Stock Option Plan of First Palmetto Financial Corporation (incorporated by reference to Exhibit 10.8 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)

Exhibit No. 10.2	Agreement and Plan of Conversion and Reorganization (incorporated by reference to Exhibit 2.1 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)
Exhibit No. 10.3	Amended and Restated Agreement and Plan of Merger dated June 12, 1990 (incorporated by reference to Exhibit 2.2 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)
Exhibit No. 13	1995 Annual Report to Stockholders (Except for those portions of the Annual Report which are expressly incorporated herein by reference, the Annual Report is furnished for the information of the SEC and is not deemed "filed" as part of this report)
Exhibit No. 22	Subsidiaries

(a) Reports on Form 8-K - None.

(b) Exhibits - All exhibits to this report are attached or incorporated by reference as stated above.

(c) Financial Statement Schedules - None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized as of December 16, 1996.

FIRST PALMETTO FINANCIAL CORPORATION

By: /s/ Samuel R. Small
Samuel R. Small
President, Chief Executive Officer and Director
(Duly Authorized Representative)

Pursuant to the requirement 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 indicated as of December 16, 1996.

By: /s/ H. Davis Green, Jr.
H. Davis Green, Jr.
Chairman of the Board

By: /s/ Samuel R. Small
Samuel R. Small
President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Steve G. Williams, Jr.
Steve G. Williams, Jr.
Senior Vice President,Treasurer, Chief Financial Officer, and Director
(Principal Financial and Accounting Officer)

By: /s/ Pierce W. Cantey, Jr.
Pierce W. Cantey, Jr.
Director

By: /s/ William R. Clyburn
William R. Clyburn
Director

By: /s/ James L. Creed
James L. Creed
Director

By: /s/ Frank D. Goodale, Jr.
Frank D. Goodale, Jr.
Director

By: /s/ Donald H. Holland
Donald H. Holland
Director

By: /s/ Charlie E. Nash
Charlie E. Nash
Director

By: /s/ Glenn G. Tucker
Glenn G. Tucker
Director

INDEX TO EXHIBITS

Exhibit

3.1 Restated Certificate of Incorporation of First Palmetto Financial Corporation (incorporated by reference to Exhibit 3.1 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)

3.2 Bylaws of First Palmetto Financial Corporation (incorporated by reference to Exhibit 3.2 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)

10.1 Stock Option Plan of First Palmetto Financial Corporation (incorporated by reference to Exhibit 10.8 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)

10.2 Agreement and Plan of Conversion and Reorganization (incorporated by reference to Exhibit 2.1 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)

10.3 Amended and Restated Agreement and Plan of Merger dated

June 12, 1990 (incorporated by reference to Exhibit 2.2 to First Palmetto's registration statement on Form S-4 filed with the SEC on June 14, 1990)

13	1996 Annual Report to Stockholders (Except for those portions of the Annual Report which are expressly incorporated herein by reference, the Annual Report is furnished for the information of the SEC and is not deemed "filed" as a part of this report.)
22	Subsidiaries

EXHIBIT 13

Annual Report

ANNUAL REPORT

September 30, 1996

FIRST PALMETTO FINANCIAL CORPORATION

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[LETTERHEAD OF FIRST PALMETTO FINANCIAL CORPORATION]

Dear First Palmetto Stockholder:

We are happy to report to you that First Palmetto again had a very successful year. Prior to a special one-time assessment by the F.D.I.C., our earnings were a record $2.82 million or $4.07 per share. This is compared to our previous highest earnings, for the September 30, 1995 fiscal year, of $2.36 million or $3.40 per share.

Effective September 30, 1996, in order to bring the Savings Association Insurance Fund portion of Federal Deposit Insurance to the required levels, the F.D.I.C. assessed our industry a one-time recapitalization fee. Our portion of that industry wide assessment resulted in an $813,000 charge, net of tax, against earnings and decreased net income from operations for the fiscal year ended September 30, 1996, to $2.0 million or $2.90 per share. There is a silver lining to this assessment, however, in that we expect future payments to the insurance fund to decrease by more than 70% which will allow us to recoup the assessment in a five to six year period.

Financial Highlights for Fiscal 1996 were:

Increase in assets to $344.5 million from $323.2 million, an increase of 6.6%.

Loans increased to $227.2 million from $198.4 million, an increase of 14.5%.

Dividends paid of $1.60 per share up from $1.40 per share the previous year.

We have continued to look for opportunities for growth and during the year we opened a new branch office in Irmo. This branch has shown excellent early growth and has provided us a new market opportunity to attract deposits and to make loans. We are now in the process of constructing a new office in Lexington and anticipate opening for business in March of 1997.

We also have a constant review process for all of our current branch locations and we measure our expectations and efforts against actual results of earnings, growth and service. In October of 1996, we consummated the sale of our branch office located in Winnsboro, S.C.

We have been able to maintain high quality in our asset portfolio and our nonperforming assets at September 30, 1996, were $1.5 million or .45% of total assets compared to $1.9 million or .57% of total assets at the end of the previous year. Total loan loss reserves at September 30, 1996, were $2.4 million compared to $1.8 million at September 30, 1995.

We are very pleased with the financial condition and the results of operations of First Palmetto and look forward to the continuing successful operations of your Bank. The staff and directors of First Palmetto are committed to share enhancement by providing excellent service to our customers and to staying actively involved in the communities we serve.

Very truly yours,

/s/ Samuel R. Small

Samuel R. Small, President and
Chief Executive Officer

FIRST PALMETTO FINANCIAL CORPORATION

THE COMPANY

First Palmetto Financial Corporation ("First Palmetto") is a holding company organized to provide ownership for First Palmetto Savings Bank, F.S.B. (the "Bank"), a wholly owned subsidiary. The Bank is a federally chartered stock savings bank. The Bank's deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") and the Bank is regulated by the Office of Thrift Supervision ("OTS"). The Bank's business is conducted through its home office located in Camden, South Carolina and through fourteen branch offices in other South Carolina locations of Beaufort, Bishopville, Camden, Columbia, Darlington, Elgin, Irmo, Kershaw, Lancaster, Lugoff, Manning, Pageland and Pontiac.

The Bank is engaged in the business of attracting deposits from the general public and investing in loans secured by first liens on single and multi-family residences, condominiums, commercial properties, and on other improved real estate. The Bank originates loans secured by first liens on land to be developed into lots ready for construction of single family homes. The Bank also invests in unsecured and secured home improvement loans, automobile loans, equity loans on residential real estate, interest-bearing bank deposits, U.S. Government and agency obligations, mortgage-backed securities and other investments as permitted by applicable laws and regulations.

First Palmetto's results of operations depend primarily on its net interest income, which is the difference between the interest income it receives from its loan and investment portfolios and its cost of funds. Other significant sources of income are service charges on deposit accounts and loan servicing fees.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present selected consolidated financial information and other data for First Palmetto at the dates and for the periods indicated.

Consolidated Financial Condition Data

<TABLE>
<CAPTION>

	At September 30,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
	(In thousands)				
Assets	$344,547	$323,183	$278,056	$226,370	$211,423
Loans, net	227,209	198,373	163,649	158,551	165,818
Cash and investment securities (a)	70,519	71,807	72,826	34,232	35,258

Mortgage-backed securities	33,010	39,410	31,159	25,466	453
Deposits	288,157	267,313	225,417	189,334	191,524
Federal Home Loan Bank ("FHLB") advances	32,550	33,367	31,000	17,000	-
Stockholders' equity, substantially restricted	20,208	19,345	17,804	16,429	15,012

</TABLE>

(a) Includes cash and due from banks, interest-bearing deposits in other banks, certificates of deposit in other banks, available-for-sale securities and investment securities.

FIRST PALMETTO FINANCIAL CORPORATION

Summary of Operations-The following table summarizes First Palmetto's results of operations for the periods indicated:

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>	1993 <C>	1992 <C>
	Years Ended September 30, (In thousands)				
Interest income	$26,016	$22,795	$16,890	$15,497	$17,065
Interest expense	14,186	12,484	8,213	7,376	9,350
Net interest income before provision for loan losses	11,830	10,311	8,677	8,121	7,715
Provision for loan losses	885	482	523	720	1,114
Net interest income after provision for loan losses	10,945	9,829	8,154	7,401	6,601
Other income	2,255	1,933	1,651	1,466	1,792
Other expense	9,993	8,104	6,597	5,958	5,936
Income before income taxes	3,207	3,658	3,208	2,909	2,457
Income taxes	1,195	1,300	1,184	1,137	843
Cumulative effect of change in accounting principle	-	-	243	-	-
Net income	$ 2,012	$ 2,358	$ 2,267	$ 1,772	$ 1,614

</TABLE>

Financial Ratios

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>	1993 <C>	1992 <C>
	Years Ended September 30,				
Return on assets (net income divided by average total assets)	.61%	.78%	.90%	.81%	.80%
Return on equity (net income divided by average equity)	10.33%	13.17%	13.25%	11.27%	11.01%
Equity-to-assets ratio (average equity divided by average total assets)	5.87%	5.90%	6.79%	7.17%	7.23%
Net income per share	$ 2.90	$ 3.40	$ 3.36	$ 2.65	$ 2.40
Book value per share	$ 29.16	$27.90	$25.68	$24.51	$22.46
Dividends per share	$ 1.60	$ 1.40	$ 1.25	$ 1.10	$ 1.05

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS of OPERATIONS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996, COMPARED with the FISCAL YEAR ENDED SEPTEMBER 30, 1995

Net income for the fiscal year ended September 30, 1996, was $2.0 million as compared to $2.4 million for the preceding fiscal year. Net income decreased by $346,000 or 14.7%.

The reason for the decrease in net income was a one-time assessment by the FDIC in the amount of $1.3 million ($813,000 net of income tax) which recapitalized the Savings Association Insurance Fund (SAIF). This one-time charge resulted in total federal deposit insurance premiums for the fiscal year in the amount of $1.8 million as compared to $618,000 for the preceding fiscal year.

Net interest income for fiscal 1996 equaled $11.8 million as compared to $10.3 million for the fiscal year ended September 30, 1995. The increase of 14.6% amounted to $1.5 million. Other income for fiscal 1996 was $2.3 million as compared to $1.9 million for fiscal 1995 while other expense for the respective fiscal years were $10.0 million and $8.1 million. A more detailed discussion of the comparative years is as follows:

Net interest income increased by $1.5 million or 14.6%. The primary reasons for the increase in net interest income were an increase in average interest-earning assets for fiscal 1996 of approximately $26 million and an increase in yield on interest-earning assets. The increase in yield on interest-earning assets was primarily a result of the Bank's mix of assets moving into higher interest-earning categories. Average cost of funds increased during the year from 4.59% during the year ended September 30, 1995 to 4.82% during the year ended September 30, 1996. Interest rate spread increased to 3.55% as compared to 3.41% for the previous year.

Total interest income for fiscal 1996 was $26.0 million, up $3.2 million or 14.0% from $22.8 million for fiscal 1995. The primary reason for the increase was an increase in average interest-earning assets due to an increase in loan demand mainly in commercial real estate and in 1-4 family real estate loans. The average yield on interest earning assets increased to 8.37% for fiscal 1996 versus 8.00% for fiscal year 1995.

Total interest expense for fiscal 1996 was $14.2 million compared to $12.5 million for fiscal 1995. The increase of $1.7 million represented a 13.6% increase in interest expense. The increase in interest expense was primarily due to the increase in average interest-bearing liabilities as a result of deposits received by offering highly competitive rates in targeted markets. Cost of funds increased to 4.82% for the 1996 period as compared to 4.59% for the 1995 period. Average interest-bearing liabilities were $294.2 million at September 30, 1996 as compared to $271.9 million at September 30, 1995.

Averages Balances, Interest and Average Yields

The following table sets forth certain information relating to First Palmetto's average balance sheets and reflect the average yields on assets and average costs of liabilities for the periods indicated and the average yields earned and rates paid at September 30, 1996. Such yields and costs are derived by dividing income or expense by the average daily balance of assets or liabilities, respectively, for the periods presented.

<TABLE>
<CAPTION>

	Years Ended September 30,								
	1996			1995			1994		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(Dollars in thousands)								
Interest-earning assets:									
Loans (1)	$212,955	$19,477	9.15%	$178,475	$15,950	8.94%	$156,606	$13,010	8.31%
Interest earning deposits	9,619	694	7.21	7,856	485	6.17	7,671	386	5.03

Investment securities (2)	51,882	3,411	6.57	58,997	3,684	6.24	34,879	1,635	4.69
Mortgage-backed securities	36,365	2,434	6.69	39,604	2,676	6.76	26,243	1,859	7.08
Total interest-earning assets	310,821	26,016	8.37	284,932	22,795	8.00	225,399	16,890	7.49
Noninterest-earning assets	21,127			18,286			15,903		
Total assets	$331,948			$303,218			$241,302		

</TABLE>

(1) Average balances include non-accrual loans.
(2) Includes available-for-sale securities.

<TABLE>
<CAPTION>

	At September 30, 1996	
	Balance	Rate
<S>	<C>	<C>
Interest-earning assets:		
Loans (1)	$227,209	8.81%
Interest earning deposits	14,048	5.15
Investment securities (2)	46,607	6.65
Mortgage-backed securities	33,010	6.69
Total interest-earning assets	320,874	8.11
Noninterest-earning assets	23,673	
Total assets	$344,547	

</TABLE>

(1) Average balances include non-accrual loans.
(2) Includes available-for-sale securities.

<TABLE>
<CAPTION>

	Years Ended September 30,								
	1996			1995			1994		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
				(Dollars in thousands)					
Interest-bearing liabilities:									
Interest-bearing demand deposits	$ 54,503	1,378	2.53	$ 45,956	1,234	2.68	$ 29,583	679	2.30
Savings deposits	23,181	586	2.53	22,939	641	2.79	19,399	491	2.53
Time deposits	183,357	10,365	5.65	165,717	8,505	5.13	142,216	5,831	4.10
FHLB									

borrowings	33,202	1,857	5.59	37,314	2,104	5.64	23,832	1,212	5.09
Total interest-bearing liabilities	294,243	14,186	4.82	271,926	12,484	4.59	215,030	8,213	3.82
Noninterest-bearing liabilities:									
Noninterest demand deposits	15,585	-		10,864	-		6,920	-	
Other	2,645	-		2,524	-		2,237	-	
Total liabilities	312,473			285,314			224,187		
Stockholders' equity	19,475			17,904			17,115		
Total liabilities and stockholders' equity	$331,948			$303,218			$241,302		
Net interest income		$11,830			$10,311			$8,677	
Interest rate spread			3.55%			3.41%			3.67%
Net yield on average interest-earning assets			3.81%			3.62%			3.85
Ratio of average interest-earning assets to average interest-bearing liabilities			1.06%			1.05%			1.05%

</TABLE>

<TABLE>
<CAPTION>

<S>	At September 30, 1996 Balance <C>	Rate <C>
Interest-bearing liabilities:		
Interest-bearing demand deposits	$ 56,359	2.49
Savings deposits	22,057	2.53
Time deposits	194,114	5.49
FHLB borrowings	32,550	5.55
Total interest-bearing liabilities	305,080	4.71
Noninterest-bearing liabilities:		
Noninterest demand deposits	15,627	
Other	3,632	
Total liabilities	324,339	
Stockholders' equity	20,208	
Total liabilities and stockholders' equity	$344,547	

========

Net interest income	3.40%
Interest rate spread	=====
Net yield on average interest-earning assets	
Ratio of average interest-earning assets to average interest-bearing liabilities	

</TABLE>

Rate/Volume Analysis

The following table sets forth certain information regarding changes in First Palmetto's interest income and interest expense for the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to (1) changes in volume (change in volume multiplied by the prior year's rate); (2) changes in rates (change in rate multiplied by the prior year's volume); and (3) changes in rate-volume (change in rate multiplied by the change in volume). The combined effect of changes in rate-volume has been allocated proportionately to changes in volume and rate.

<TABLE>
<CAPTION>

	Years Ended September 30,					
	1996 vs. 1995			1995 vs. 1994		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
			(in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income:						
Loans	$3,119	$409	$3,528	$1,906	$1,034	$2,940
Investment securities	(457)	184	(273)	1,384	665	2,049
Mortgage-backed securities	(218)	(24)	(242)	907	(90)	817
Other	118	91	209	9	90	99
Total interest-earning assets	2,562	660	3,222	4,206	1,699	5,905
Interest expense:						
Deposits	1,286	664	1,950	1,763	1,614	3,377
FHLB advances	(230)	(17)	(247)	750	144	894
Total interest-bearing liabilities	1,056	647	1,703	2,513	1,758	4,271
Net interest income	$1,506	$ 13	$1,519	$1,693	$ (59)	$1,634

</TABLE>

The provision for loan losses for fiscal 1996 was $885,000 compared to $482,000 for the preceding year. The increased provision for loan losses resulted from the higher level of loans outstanding and the continuing shift in the loan mix from lower risk residential lending to higher risk consumer and commercial lending. Net charge-offs to the allowance for loan losses were $321,000 during the fiscal year ended September 30, 1996, as compared to $337,000 for the year ended September 30, 1995. The balance in the allowance for loan losses at September 30, 1996 was $2.4 million compared to $1.8 million at September 30, 1995. The allowance for loan losses as a percentage of loans was 1.04% and .91% at September 30, 1996 and 1995, respectively. Management continually reviews the adequacy of the allowance for loan losses, considering such factors as reviews of delinquent loans and other loans with problems, composition of the Bank's loan portfolio, general economic conditions that may affect borrowers ability to repay and the value of collateral.

Other income for fiscal 1996 was $2.3 million as compared to $1.9 million for fiscal 1995. Service charges increased to $1.2 million, from $948,000, due to a change in the fee schedule for deposits and the increase in number of checking and NOW accounts. The increase in miscellaneous income included $239,000 received as a deposit premium on the sale of a branch.

Other expenses for fiscal 1996 was $10.0 million compared to $8.1 million for fiscal 1995, an increase of $1.9 million or 23.5%. The primary increase was in federal insurance premiums. On September 30, the Bank was assessed by the FDIC a one-time special assessment of $1.3 million. This assessment was made in order to recapitalize the SAIF. Insurance, telephone, postage, supplies and other increased primarily due to increased expenses as a result of the opening of a new branch in fiscal 1996 and having expenses for three other branches purchased during fiscal 1995 for the entire fiscal 1996 year. Tabular comparisons of broad expense categories for fiscal 1996 compared to fiscal 1995 are as follows:

<TABLE>
<CAPTION>

	Years Ended September 30,	
	1996	1995
	(In thousands)	
<S>	<C>	<C>
Compensation and related benefits	$3,658	$3,544
Occupancy and data processing fees	1,848	1,680
Federal deposit and other insurance premiums	1,877	689
Telephone, postage, supplies and other	2,610	2,192
Totals	$9,993	$8,105

</TABLE>

The effective tax rate was 37.3% for the year ended September 30, 1996 as compared to 35.5% for the year ended September 30, 1995. See Note 12 to the Notes to Consolidated Financial Statements.

RESULTS of OPERATIONS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995, COMPARED with the FISCAL YEAR ENDED SEPTEMBER 30, 1994

Net income for the fiscal year ended September 30, 1995, was $2.4 million as compared to $2.3 million for the preceding fiscal year. Net income increased by $91,000 or 4.0%.

Net interest income for fiscal 1995 equaled $10.3 million as compared to $8.7 million for the fiscal year ended September 30, 1994. The increase of $1.6 million amounted to 18.8%. Other income for fiscal 1995 was $1.9 million as compared to $1.7 million for fiscal 1994 while other expense for the respective fiscal years were $8.1 million and $6.6 million. A more detailed discussion of the comparative years is as follows:

Net interest income increased by $1.6 million or 18.8%. The primary reason for the increase in net interest income was an increase in average interest-earning assets for fiscal 1995 by approximately $59.5 million. Average cost of funds increased during the year from 3.82% during the year ended September 30, 1994 to 4.59% during the year ended September 30, 1995 resulting in a contracting interest rate spread, decreasing to 3.41% as compared to 3.67% for the previous year.

Total interest income for fiscal 1995 was $22.8 million up $5.9 million or 35.0% from $16.9 million for fiscal 1994. The primary reason for the increase was an increase in average interest-earning assets due to an increase in loan demand. All categories of loans increased with 1-4 family real estate mortgage loans increasing $10.3 million for the comparative years, commercial real estate increasing $13.2 million for the comparative years and installment loans increasing $7.4 million for the comparative years. The average yield on earning assets increased to 8.00% for fiscal 1995 versus 7.49% for fiscal year 1994.

Total interest expense for fiscal 1995 was $12.5 million compared to $8.2 million for fiscal 1994. The increase of $4.3 million represented an 52.0% increase in interest expense. The increase in interest expense was primarily due to the increase in average interest-bearing liabilities as a result of deposits received through branch purchases and increased average FHLB advances. Cost of funds increased to 4.59% for the 1995 period as compared to 3.82% for the 1994 period. Average interest-bearing liabilities were $271.9 million for fiscal 1995 as compared to $215.0 million for fiscal 1994.

The provision for loan losses for fiscal 1995 was $482,000 compared to $522,000 for the preceding year. Net charge-offs to the allowance for loan losses were $337,000 during the fiscal year ended September 30, 1995, as compared to $348,000 for the year ended September 30, 1994. The balance in the allowance for loan losses at September 30, 1995 was $1.8 million compared to

$1.7 million at September 30, 1994. The allowance for loan losses as a percentage of loans was .91% and 1.01% at September 30, 1995 and 1994, respectively. Asset quality improved for the comparative years with nonperforming assets decreasing to .57% of total assets at September 30, 1995 from .67% at September 30, 1994. This was a contributing factor in the decrease in the percentage of the allowance to loan losses to total loans. Management of the Bank continually reviews the adequacy of allowance for loan losses, considering such factors as reviews of delinquent loans and other loans with problems, composition of the Bank's loan portfolio, general economic conditions that may affect borrowers ability to repay or the value of collateral.

Other income for fiscal 1995 was $1.9 million as compared to $1.7 million for fiscal 1994. Service charges increased to $948,000, from $489,000, due to a change in the fee schedule for deposits and the increase in number of checking and NOW accounts. Other increases included gains on the sale of several vacant branch sites during the year.

Other expense for fiscal 1995 was $8.1 million compared to $6.6 million for fiscal 1994, an increase of $1.5 million or 22.9%. The primary increases were in compensation and other fringe benefits due to the addition of several employees due to branch purchases as well as normal increases. Insurance, telephone, postage, supplies and other primarily increased due to increased expense as a result of branch purchases and the related amortization of the deposit base premium. Tabular comparisons of expense categories for fiscal 1995 compared to fiscal 1994 were as follows:

<TABLE>
<CAPTION>

	Years Ended September 30,	
	1996	1995
	(In thousands)	
<S>	<C>	<C>
Compensation and related benefits	$3,544	$2,940
Occupancy and data processing fees	1,680	1,467
Insurance, telephone, postage, supplies and other	2,881	2,189
Totals	$8,105	$6,596

</TABLE>

The effective tax rate was 35.5% for the year ended September 30, 1995 as compared to 36.9% for the year ended September 30, 1994. See Note 12 to the Notes to Consolidated Financial Statements.

FINANCIAL CONDITION

Total assets at September 30, 1996, were $344.5 million as compared to $323.2 million at September 30, 1995, an increase of $21.3 million or 6.6%.

Loans receivable at September 30, 1996, increased by $28.8 million to $227.2 million as compared to $198.4 million at the previous year-end. The increase was primarily as a result of the employment of several loan officers whose primary function is the production of consumer and commercial loans and the entry into new markets as a result of branching efforts.

Deposits increased $20.9 million to $288.2 million at September 30, 1996, compared to $267.3 million at the previous year end as First Palmetto targeted several markets for growth by offering highly competitive rates.

Stockholders' equity increased to $20.2 million at September 30, 1996 compared to $19.3 million at September 30, 1995. Increases were $2.0 million from net income. Decreases were cash dividends of approximately $1.1 million, the purchase of treasury stock of $4,000 and a decrease in unrealized gains on available for-sale-securities in the amount of $37,000.

CAPITAL RESOURCES

Regulatory Capital Requirements. Under OTS regulations savings associations must maintain "tangible" capital equal to at least 1.5% of adjusted total assets, "core" capital at least equal to 3% of adjusted total assets and a combination of core and "supplementary" capital equal to at least 8% of "risk-weighted" assets. For purposes of the regulations, core capital is defined as common stockholders' equity, noncumulative perpetual preferred stock and related surplus, minority interest in the equity accounts of fully consolidated subsidiaries, certain nonwithdrawable accounts and pledged deposits and qualifying intangibles. Core capital is generally reduced by the amount of the savings association's intangible assets for which no market exists. Limited exceptions to the deduction of intangible assets are provided for mortgage servicing rights and certain intangibles. Tangible capital is given the same definition as core capital but does not include qualifying intangibles and is reduced by the amount of all the savings association's intangible assets with only a limited exception for mortgage servicing rights and certain grandfathered intangibles. Both core and tangible capital are to be further reduced by an amount equal to a savings association's debt and equity investments in subsidiaries engaged in activities not permissible to national banks.

At September 30, 1996, the Bank's tangible capital ratio was 4.8%, core capital ratio was 5.0% and its risk-based capital ratio was 10.1%. At that date, the Bank had $848,000 of qualifying intangibles and $201,000 of investments in and extensions of credit to subsidiaries engaged in activities not permissible for national banks.

ASSET and LIABILITY MANAGEMENT and INTEREST RATE SENSITIVITY

First Palmetto manages the different maturity and repricing characteristics of its interest-earning asset and interest-bearing liability portfolios to achieve a desired interest rate sensitivity position and thereby limiting its exposure to interest rate risk. The primary objective of interest rate sensitivity management is to maintain net interest income growth while reducing exposure to the risks inherent to interest rate movements.

An important measure of interest rate risk is the Asset/Liability Gap ratio. The difference between the amount of interest-earning assets and interest-bearing liabilities to be repriced during a specified time period is referred to as the "asset (liability) gap position". Key assumptions for determining the period for repricing are as follows: (1) fixed rate loans and mortgage-backed securities are generally amortized adjusted by market based prepayment rates; (2) adjustable rate loans and mortgage-backed securities are repriced on their respective adjustment dates; (3) loans with call features are amortized without any prepayment assumption with the balance repricing at the call date; (4) investment securities are repriced at maturity; (5) NOW, money market and savings are repriced using market based decay rates; (6) time deposits are repriced at maturity; (7) fixed rate borrowings are repriced at maturity adjusted for contractual principal repayments; and (8) adjustable rate borrowings are repriced on their adjustment dates. Management believes these assumptions are reasonable based upon First Palmetto's historical experience.

First Palmetto's liability sensitive cumulative gap position for one year at September 30, 1996 was (7.39%). A liability sensitive gap indicates that over the course of a year an upward movement in rates will negatively impact net interest income (and consequently operating results) since liabilities will reprice faster than assets. Conversely, a liability sensitive gap in a declining interest rate environment will positively impact net interest income (and consequently operating results) since liabilities will reprice faster than assets.

Management forecasts interest rates will remain stable during the first six months of calendar 1997 and remain stable or decrease slightly for the remainder of the year. Since the Bank has a liability sensitive gap position for one year, a declining interest rate scenario in that time frame will positively effect net interest income as previously discussed.

The following table presents First Palmetto's asset/liability gap ratios as of September 30, 1996.

<TABLE>
<CAPTION>

At September 30, 1996	Six months or less	to one year	One to three years	Six months Three to five years	Over five years	Total
			(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets						
Loans and mortgage-backed securities (1)	$105,566	$ 49,764	$56,436	$23,157	$27,660	$262,583

Investment securities (2)	9,001	8,949	24,670	4,984	-	47,604
Other interest-earning assets (3)	14,048	-	-	-	-	14,048
Total interest-earning assets	128,615	58,713	81,106	28,141	27,660	324,235
Interest-bearing liabilities						
Interest-bearing deposits	169,954	29,013	47,341	9,002	17,220	272,530
Borrowings	4,700	7,617	17,233	3,000	-	32,550
Total interest-bearing liabilities	174,654	36,630	64,574	12,002	17,220	305,080
Sensitivity gap						
Period	$(46,039)	$ 22,083	$16,532	$16,139	$10,440	$19,155
Cumulative	$(46,039)	$(23,956)	$(7,424)	$ 8,715	$19,155	$19,155
Gap as a percentage of interest-earning assets						
Period	(14.20%)	6.81%	5.10%	4.98%	3.22%	5.91%
Cumulative	(14.20%)	(7.39%)	(2.29%)	2.69%	5.91%	5.91%

</TABLE>

(1) Excludes the allowance for loan losses.
(2) Includes available-for-sale securities.
(3) Includes interest-earning deposits and certificates of deposit in other banks.

To reduce First Palmetto's exposure to interest rate risk, management has implemented the following strategies:

(1) Originate for its own portfolio only adjustable rate mortgages and longer-term amortization loans with call provisions of five years or less (unless specific exceptions are made).

(2) Originate fixed rate mortgages according to the specifications of the Federal Home Loan Mortgage Corporation, making them salable in the secondary mortgage market.

(3) Increase commercial real estate and consumer lending activities in order to increase outstanding loans with shorter maturities or adjustable rates so as to increase the interest rate sensitivity of First Palmetto's loan portfolio.

(4) Invest in securities with maturities of five years or less.

(5) Extend the life of liabilities through the use of Federal Home Loan Bank advances or other extended maturity obligations to reduce interest rate sensitivity.

Senior management oversees implementation of the strategies noted above. It reviews national and local market economic data and interest rate projections. Senior management also regularly reviews the relationship between interest sensitive assets and interest sensitive liabilities and reports to the full Board of Directors on the progress of First Palmetto's attempt to reduce the mismatch existing between them.

IMPACT OF INFLATION

First Palmetto does not believe that inflation has had a material effect on its operations during the last three fiscal years. Increases in personnel costs, supplies, occupancy or data processing fees or other operating expenses should the current rates of inflation increase materially could affect First Palmetto's operations, however, in the past First Palmetto has generally been able to increase net yields and other items of income sufficient to meet negative impacts of increasing costs.

IMPACT OF CHANGING PRICES

First Palmetto provides financial and related services and its assets and liabilities are monetary in nature, therefore First Palmetto is not directly subject to impact from changes in prices of production materials. Interest rates, which have a more significant impact on financial institutions performance, do not necessarily move in the same direction or in the same magnitude as the prices of goods and services, which would be more directly affected by inflation.

LIQUIDITY

First Palmetto's primary sources of liquidity are deposits and loan principal and interest repayments. Additionally, First Palmetto has historically generated funds through the sale in the secondary market of mortgage loans. During the current year funds were made available primarily from the increase of deposits of $20.9 million, the sale of loans on the secondary market in the amount of $16.2 million, from the maturities of certificates of deposit in other banks and investment securities in the amount of $13.0 million, and from principal collection of mortgage-backed securities of $6.4 million. These funds were used to fund net loans of $46.5 million and to purchase investment securities and investments in the amount of $2.0 million.

These and other factors resulted in cash and cash equivalents increasing $9.5 million during the year ended September 30, 1996.

The Bank, as a member of the Federal Home Loan Bank System, is required by regulation to maintain a daily average balance of liquid assets equal to a certain percentage of net withdrawable savings and current borrowings. The Bank's liquidity ratio at September 30, 1996 is in excess of regulatory requirements of 5% and will remain so in the upcoming fiscal year.

ACCOUNTING CHANGES

See Note 1 in Notes to Consolidated Financial Statements.

New Accounting Standards

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards "SFAS" No. 122, "Accounting for Certain Mortgage Banking Activities," which requires that a mortgage banking enterprise recognize as separate assets the rights to service mortgage loans for others, however those servicing rights are acquired. A mortgage banking enterprise that acquires mortgage servicing rights through either the purchase or origination of mortgage loans and sells or securitizes those loans with servicing rights retained should allocate the total cost of the mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values if it is practicable to estimate those fair values. If it is not practicable to estimate the fair values of the mortgage servicing rights and the mortgage loans (without the mortgage servicing rights), the entire cost of purchasing or originating the loans should be allocated only to the mortgage loans without the mortgage servicing rights. Additionally, this standard requires that a mortgage banking enterprise periodically assess its capitalized mortgage servicing rights for impairment based on the fair value of those rights. This statement is effective for years beginning after December 15, 1995. Management has not determined the impact that adoption of SFAS No. 122 will have on the financial statements.

The FASB has also issued SFAS No. 123 "Accounting for Stock - Based Compensation." SFAS No. 123 established a fair value-based method of accounting for stock options and other equity instruments. It requires the use of that method for transactions with other than employees and encourages its use for transactions with employees. It permits entities to continue to use the intrinsic value method included in APB 25 "Accounting for Stock Issued to Employees", but regardless of the method used to account for the compensation cost associated with stock option and similar plans, it requires employers to disclose information in accordance with SFAS No. 123.

The general principle underlying SFAS No. 123 is that equity instruments are recognized at the fair value of the consideration received for them. If the fair value of the consideration received cannot be reasonably determined, the fair value of the equity instrument itself may be used. The fair value method of accounting for stock options and other instruments applies this general principle, measuring compensation cost for employers as the excess of the fair value of the equity instrument over the amount paid by the employee.

The FASB has also issued SFAS No 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 125 established accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on the consistent application of the financial-components approach. This approach requires the recognition of financial assets and servicing assets that are controlled by the reporting entity, the derecognition of financial assets when control is surrendered, and the derecognition of liabilities when they are extinguished. Specific criteria are established for determining when control has been surrendered in the transfer of financial assets.

Liabilities and derivatives incurred or obtained by transferors in conjunction with the transfer of financial assets are required to be measured at fair value, if practicable. Servicing assets and other retained interests in transferred assets are required to be measured by allocating the previous carrying amount between the assets sold, if any, and the interest that is retained, if any, based on the relative fair values of the assets at the date of the transfer. Servicing assets retained are subsequently subject to amortization and assessment for impairment.

SFAS No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996. It is to be applied prospectively; earlier or retroactive application is not permitted. Management does not expect that adoption of SFAS No. 125 will have a material impact on the consolidated financial statements of First Palmetto.

FIRST PALMETTO FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Financial Condition
September 30, 1996 and 1995

<TABLE>
<CAPTION>

ASSETS	1996	1995
	(Dollars in thousands)	
<S>	<C>	<C>
Cash and due from banks	$ 8,867	$ 10,194
Interest-bearing deposits in other banks	13,649	2,785
Certificates of deposit in other banks	399	399
Available-for-sale securities (cost of $595 at September 30, 1996 and 1995)	997	1,039
Investment securities (market value of $47,096 and $58,259 at September 30, 1996 and 1995, respectively)	46,607	57,389
Mortgage-backed securities held for investment (market value of $32,788 and $39,420 at September 30, 1996 and 1995, respectively)	33,010	39,410
Loans, net of allowance for loan losses of $2,364 in 1996 and $1,800 in 1995	227,209	198,373
Accrued interest receivable	2,380	2,538
Real estate acquired in settlement of loans	480	1,031
Stock in the Federal Home Loan Bank (FHLB)	2,122	2,122
Premises and equipment	5,117	4,083
Intangible assets	2,623	3,393
Prepaid expenses and other assets	1,087	427
Total assets	$344,547	$323,183
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$288,157	$267,313
FHLB advances	32,550	33,367
Accrued expenses and other liabilities	3,632	3,158
Total liabilities	324,339	303,838
Stockholders' equity		
Preferred stock, $.01 par value, 500,000 shares authorized, none issued and outstanding	-	-
Common stock, $.01 par value, 1,500,000 shares authorized, 733,014 shares issued	7	7
Additional paid-in capital	6,080	6,080
Retained earnings, substantially restricted	14,474	13,570
Unrealized gain on available-for-sale securities	272	309
Treasury stock, at cost (40,004 shares in 1996 and 39,854 shares in 1995)	(625)	(621)
Total stockholders' equity	20,208	19,345
Commitments		
Total liabilities and stockholders' equity	$344,547	$323,183

</TABLE>

See accompanying notes to consolidated financial statements

FIRST PALMETTO FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Income
Years ended September 30, 1996, 1995, and 1994

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>
	(Dollars in thousands, except earnings per share data)		
Interest income:			
Loans	$19,477	$15,949	$13,010
Investment securities	3,411	3,684	1,635
Mortgage-backed securities	2,434	2,676	1,859
Other	694	485	386
Total interest income	26,016	22,794	16,890
Interest expense:			
Deposits	12,329	10,379	7,001
FHLB advances	1,857	2,104	1,212
Total interest expense	14,186	12,483	8,213
Net interest income	11,830	10,311	8,677
Provision for loan losses	885	482	522
Net interest income after provision for loan losses	10,945	9,829	8,155
Other income:			
Service charges	1,167	948	489
Loan servicing	513	555	597
Gain on sales of loans	103	39	279
Gain on sale of fixed assets	-	203	-
Miscellaneous	472	189	285
Total other income	2,255	1,934	1,650
Other expense:			
Compensation and related benefits	3,658	3,544	2,940
Net occupancy	1,027	898	710
Data processing fees	821	782	757
Federal deposit and other insurance premiums	1,877	689	582
Telephone, postage, and supplies	655	582	314
Amortization of intangible assets	769	441	128
Miscellaneous	1,186	1,169	1,165
Total other expense	9,993	8,105	6,596
Income before income taxes and cumulative effect of change in accounting principle	3,207	3,658	3,209
Income taxes	1,195	1,300	1,185
Income before cumulative effect of change in accounting principle	2,012	2,358	2,024
Cumulative effect of change in accounting principle	-	-	243
Net income	$ 2,012	$ 2,358	$ 2,267
Earnings per share:			
Income before cumulative effect of change in accounting principle	$2.90	$3.40	$3.00
Cumulative effect of change in accounting principle	-	-	.36
Net income	$ 2.90	$ 3.40	$ 3.36

</TABLE>

See accompanying notes to consolidated financial statements

FIRST PALMETTO FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity
Years ended September 1996, 1995, and 1994

<TABLE>
<CAPTION>

	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock	Total stockholders' equity
	(Dollars in thousands)					
Balance at September 30, 1993	$7	$5,889	$10,782	$ 363	$(612)	$16,429
Proceeds from stock options exercised	-	191	-	-	-	191
Purchase of common stock	-	-	-	-	(2)	(2)
Net income	-	-	2,267	-	-	2,267
Cash dividends ($1.25 per share)	-	-	(867)	-	-	(867)
Change in unrealized gain on available-for-sale securities	-	-	-	(214)	-	(214)
Balance at September 30, 1994	7	6,080	12,182	149	(614)	17,804
Purchase of common stock	-	-	-	-	(7)	(7)
Net income	-	-	2,358	-	-	2,358
Cash dividends ($1.40 per share)	-	-	(970)	-	-	(970)
Change in unrealized gain on available-for-sale securities	-	-	-	160	-	160
Balance at September 30, 1995	7	6,080	13,570	309	(621)	19,345
Purchase of common stock	-	-	-	-	(4)	(4)
Net income	-	-	2,012	-	-	2,012
Cash dividends ($1.60 per share)	-	-	(1,108)	-	-	(1,108)
Change in unrealized gain on available-for-sale securities	-	-	-	(37)	-	(37)
Balance at September 30, 1996	$7	$6,080	$14,474	$ 272	$(625)	$20,208

</TABLE>

See accompanying notes to consolidated financial statements

FIRST PALMETTO FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Cash Flows
Years ended September 30, 1996, 1995, and 1994

<TABLE>
<CAPTION>

	1996	1995	1994

(In thousands)

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

	1996	1995	1994
Cash flows from operating activities:			
Net income	$ 2,012	$ 2,358	$ 2,267
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Gain on sale of available-for-sale securities	-	-	(4)
Accretion and amortization of discounts and premiums, net	(203)	(196)	26
Provision for loan losses	885	482	522
Increase (decrease) in deferred loan fees, net	(27)	(30)	57
Gain on sale of real estate acquired in settlement of loans, net	(74)	(2)	(35)
Gain on sale of real estate held for development and sale	-	-	(43)
FHLB stock dividends	-	-	(52)
Depreciation	353	288	225
Gain on sale of premises and equipment	-	(203)	(1)
Amortization of intangible assets	769	441	128
Proceeds from sale of loans	16,210	9,227	36,176
Originations and principal repayments of loans held for sale, net	(16,107)	(9,110)	(41,804)
(Increase) decrease in accrued interest receivable	158	(744)	(736)
(Increase) decrease in prepaid expenses and other assets	(755)	8	65
Increase (decrease) in accrued expenses and other liabilities	581	(852)	450
Net cash provided by (used in) operating activities	3,802	1,667	(2,759)
Cash flows from investing activities:			
Net decrease in certificates of deposit in other banks	-	300	100
Proceeds from maturities of investment securities	12,995	9,002	11,002
Purchases of investment securities	(2,000)	(6,882)	(50,260)

</TABLE>

(Continued)

FIRST PALMETTO FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Cash Flows
Years ended September 30, 1996, 1995, and 1994

<TABLE>
<CAPTION>

(In thousands)

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

	1996	1995	1994
Cash flows from investing activities, continued:			
Proceeds from sale of available-for-sale securities	-	-	7,753
Purchases of available-for-sale securities	-	-	(435)
Purchases of mortgage-backed securities	-	(13,542)	(6,061)
Principal collected on mortgage-backed securities	6,379	5,273	2,541
Net increase in loans	(30,405)	(35,734)	(11,983)
Proceeds from sale of real estate acquired in settlement of loans	1,233	656	1,571
Improvements made to real estate held for development and sale	-	(5)	-
Proceeds from sale of real estate held for development and sale	-	-	66
Proceeds from sale of FHLB stock	-	1,103	378

Purchases of FHLB stock	-	(1,103)	(378)
Proceeds from sale of premises and equipment	-	283	21
Capital expenditure for premises and equipment	(1,489)	(805)	(134)
Retirements of premises and equipment	107	-	-
Purchase of financial institution	-	29,000	28,095
Net cash used in investing activities	(13,180)	(12,454)	(17,724)
Cash flows from financing activities:			
Net increase in deposits	20,844	10,321	6,029
Proceeds from FHLB advances	21,000	63,000	17,317
Repayment of FHLB advances	(21,817)	(60,633)	(3,317)
Proceeds from stock options exercised	-	-	191
Purchase of common stock	(4)	(6)	(3)
Cash dividends	(1,108)	(970)	(867)
Net cash provided by financing activities	18,915	11,712	19,350
Net increase (decrease) in cash and cash equivalents	9,537	925	(1,133)
Cash and cash equivalents at beginning of year	12,979	12,054	13,187
Cash and cash equivalents at end of year	$ 22,516	$ 12,979	$ 12,054

</TABLE>

(Continued)

FIRST PALMETTO FINANCIAL CORPORATION AND SUBSIDIARY

Consolidated Statements of Cash Flows
September 30, 1996, 1995, and 1994

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 (In thousands) <C>	1994 <C>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$14,009	$12,222	$ 8,011
Income taxes	1,744	1,198	1,184
Supplemental schedule of noncash investing and financing activities:			
Loans transferred to real estate acquired in settlement loans	607	551	1,820
Loans securitized as mortgage-backed securities available-for-sale	-	-	10,431
Mortgage-backed securities transferred from available-for-sale to held-to-maturity	-	-	26,319
Real estate held for development and sale transferred to premises and equipment	-	-	428
Increase (decrease) in unrealized gain on available-for-sale securities (net of tax effect of $20)	37	172	(214)

</TABLE>

During 1995, First Palmetto acquired three branch facilities from First Union National Bank of South Carolina. See Note 2 for transaction description including a summary of assets acquired and liabilities assumed.

During 1994, First Palmetto acquired two branch facilities from Wachovia Bank of

South Carolina, N.A. See Note 2 for transaction description including a summary of assets acquired and liabilities assumed.

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements
September 30, 1996, 1995, and 1994

(1) Summary of Significant Accounting Policies

The following is a description of the more significant accounting and reporting policies which First Palmetto Financial Corporation and subsidiary (First Palmetto) followed in preparing and presenting the consolidated financial statements.

(a) Principles of Consolidation and Reporting

The accompanying consolidated financial statements include the accounts of First Palmetto Financial Corporation and its wholly owned subsidiary, First Palmetto Savings Bank, F.S.B. (the "Bank") and its subsidiaries. All significant intercompany balances have been eliminated.

(b) Use of Estimates in the Preparation of Financial Statements

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

(c) Reclassifications

Certain amounts in the September 30, 1995 and 1994 consolidated financial statements have been reclassified to conform with the 1996 presentations. These reclassifications had no impact on the net income or stockholders' equity as previously reported.

(d) Securities

Statement of Financial Accounting Standards (SFAS) No. 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and all investments in debt securities. These investments are to be classified into three categories as follows:

- held-to-maturity securities - reported at amortized cost,

- trading securities - reported at fair value with unrealized gains and losses included in earnings, or

- available-for-sale securities - reported at fair value with unrealized gains and losses reported as a separate component of stockholders' equity (net of tax effect).

(Continued)

Certain investments in equity securities are classified as available-for-sale. All other securities have been classified as held-to-maturity securities because First Palmetto has the intent and the ability to hold all such securities until maturity.

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

Regulations require First Palmetto to maintain cash and U.S. Government and other approved securities in an amount equal to a prescribed percentage (5% at September 30, 1996) of deposit accounts (net of loans on deposit accounts) plus short-term borrowings. First Palmetto was in compliance with such regulation at September 30, 1996.

(e) Loans Held for Sale

Loans held for sale are carried at the lower of cost or market as determined by the outstanding commitments from investors to purchase such loans or current investor yield requirements calculated on the aggregate loan basis. Gains and losses are realized if at the time of sale the average interest rate on the loans sold, adjusted for servicing fees, differs from the agreed yield to the buyer. First Palmetto originates and sells whole loans, generally retaining servicing on conventional loans and releasing servicing on governmental loans. Servicing fees range from .25% to .375% on conventional loans. Under present accounting methods, loan servicing fees are recognized in the year received.

(f) Provision for Loan Losses

The allowance for loan losses is the amount considered adequate for potential losses in the portfolio. Management's evaluation of the adequacy of the allowance is based on a review of such factors which include the market value of the underlying collateral, growth and composition of the loan portfolio, the relationship of the allowance for loan losses to outstanding loans, delinquency trends and economic conditions.

While management uses the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ from the assumptions used in making the evaluations.

(Continued)

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the adequacy of First Palmetto's allowance for loan losses. Such agencies may require First Palmetto to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Effective October 1, 1995, the Bank adopted the provisions of SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." SFAS No. 114, as amended by SFAS No. 118, requires that impaired loans be measured based on the present value of expected future cash flows or the underlying collateral values as defined in the pronouncement. The adoption of SFAS No. 114 had no effect on the balance sheet or income statements of the Bank. The Bank includes the provisions of SFAS No. 114, if any, in the allowance for loan losses.

(g) Real Estate Acquired in Settlement of Loans

Real estate acquired in settlement of loans represents real estate acquired through foreclosure or deed in lieu of foreclosure and is initially recorded at the lower cost or fair value. Costs relating to the development and improvement of the property are capitalized, whereas, those relating to holding the property are charged to expense.

(h) Premises and Equipment

Premises and equipment are recorded at cost and depreciation is provided over the estimated useful lives of the related assets principally on a straight-line basis. Estimated lives are ten to forty years for buildings, building components and improvements and two to ten years for furniture, fixtures and equipment.

Leasehold improvements are recorded at cost and amortization is provided over the lesser of the related lease term or estimated useful life principally on a straight-line basis.

Maintenance and repairs are charged to expense as incurred and improvements are capitalized. The costs and accumulated depreciation relating to premises and equipment retired or otherwise disposed of are eliminated from the accounts and any resulting gains or losses are credited or charged to operations.

(Continued)

(i) Loan Interest Income

When loans become more than 90 days past due, First Palmetto places such loans on nonaccrual status or provides an allowance for uncollected interest on accrued interest if, in the opinion of management, collectibility of that accrued interest is doubtful. Any allowance is netted against accrued interest receivable in the consolidated financial statements. When payment for the loan is received in full, the system automatically returns the loan to accrual status.

(j) Loan Origination Fees and Costs

Loan origination fees and certain direct loan origination costs are deferred and amortized over the contractual life, adjusted for prepayments, of the related loan as an adjustment of the loan yield using the level yield method. Direct costs of unsuccessful loans and indirect costs are expensed as incurred.

(k) Income Taxes

In February 1992, the Financial Accounting Standards Board ("FASB") issued SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 requires a change from the deferred method of accounting for income taxes of APB Opinion 11 to the asset and liability method of SFAS No. 109. 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. 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. Under SFAS No. 109, 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.

Effective October 1, 1993, First Palmetto adopted SFAS No. 109 and has reported the cumulative effect of that change in the method of accounting for income taxes in the 1994 consolidated statement of income.

(l) Intangible Assets

Goodwill, representing the excess cost of investment over the fair value of net assets acquired, is being amortized by charges to operations generally over twelve years, using the straight-line method.

Deposit-based premiums, representing the cost of acquiring deposits from other financial institutions, are being amortized by charges to operations over seven years, an estimate of the estimated life of the existing deposit relationship, using the straight-line method.

(Continued)

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks and interest-bearing balances in other banks. Generally, cash and cash equivalents are considered to have maturities of three months or less.

(n) Net Income Per Share

Net income per share is computed by dividing consolidated net income by the weighted average number of shares of common stock outstanding during the year. The effect of common stock equivalent shares applicable to stock option plans has not been included in the calculation of net income per share because such effect is not materially dilutive.

(o) Other Accounting Changes

The FASB has issued SFAS No. 122, "Accounting for Certain Mortgage Banking Activities," which requires that a mortgage banking enterprise recognize as separate assets the rights to service mortgage loans for others, however those servicing rights are acquired. A mortgage banking enterprise that acquires mortgage servicing rights through either the purchase or origination of mortgage loans and sells or securitizes those loans with servicing rights retained should allocate the total cost of the mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values if it is practicable to estimate those fair values. If it is not practicable to estimate the fair values of the mortgage servicing rights and the mortgage loans (without the mortgage servicing rights), the entire cost of purchasing or originating the loans should be allocated only to the mortgage loans without the mortgage servicing rights. Additionally, this standard requires that a mortgage banking enterprise periodically assess its capitalized mortgage servicing rights for impairment based on the fair value of those rights. This statement is effective for years beginning after December 15, 1995. Management has not determined the impact that adoption of SFAS No. 122 will have on the financial statements.

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(Continued)

The general principle underlying SFAS No. 123 is that equity instruments are recognized at the fair value of the consideration received for them. If the fair value of the consideration received cannot be reasonably determined, the fair value of the equity instrument itself may be used. The fair value method of accounting for stock options and other instruments applies this general principle, measuring compensation cost for employers as the excess of the fair value of the equity instrument over the amount paid by the employee.

The FASB has also issued SFAS No 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 125 established accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on the consistent application of the financial-components approach. This approach requires the recognition of financial assets and servicing assets that are controlled by the reporting entity, the derecognition of financial assets when control is surrendered, and the derecognition of liabilities when they are extinguished. Specific criteria are established for determining when control has been surrendered in the transfer of financial assets.

Liabilities and derivatives incurred or obtained by transferors in conjunction with the transfer of financial assets are required to be measured at fair value, if practicable. Servicing assets and other retained interests in transferred assets are required to be measured by allocating the previous carrying amount between the assets sold, if any, and the interest that is retained, if any, based on the relative fair values of the assets at the date of the transfer. Servicing assets retained are subsequently subject to amortization and assessment for impairment.

SFAS No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996. It is to be applied prospectively; earlier or retroactive application is not permitted. Management does not expect that adoption of SFAS No. 125 will have a material impact on the consolidated financial statements of First Palmetto.

(Continued)

(2) Acquisitions

In February, 1995, the Bank acquired certain assets and assumed deposit liabilities from three branch offices of First Union National Bank of South Carolina located in Lugoff, Beaufort and Manning, South Carolina. The following summarizes the fair value of assets acquired, liabilities assumed and cash received in the transaction.:

Assets acquired:	(In thousands)
Loans	$ 110
Premises and equipment	357
Deposit base premium	2,152
Other	29
	2,648
Liabilities assumed:	
Deposits	31,574
Other	74
Total	31,648
Net cash received	$29,000

In July 1994, the Bank acquired from Wachovia Bank of South Carolina, N.A. certain assets and assumed deposit liabilities for branch facilities in Pageland and Bishopville, South Carolina. The following summarizes the fair value of assets acquired, liabilities assumed, and cash received in the transaction:

Assets acquired:	(In thousands)
Loans	$ 318
Premises and equipment	392
Deposit base premium	1,250
	1,960
Liabilities assumed:	
Deposits	$30,055
Net Cash received	$28,095

(3) Available-for-Sale Securities

Available-for-sale securities consist of the following:

	Amortized Cost	Gross Unrealized Gains	Market Value
	(In thousands)		
September 30, 1996:			
Equity securities	$595	$402	$ 997
September 30, 1995:			
Equity securities	$595	$444	$1,039

(Continued)

(4) Investment Securities

Investment securities consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
	(In thousands)			
September 30, 1996:				
U.S. Government obligations due:				
Within 12 months	$16,953	$100	$ -	$17,053
Beyond 12 months but within 5 years	29,654	399	(10)	30,043
	$46,607	$499	$(10)	$47,096
September 30, 1995:				
U.S. Government obligations due:				
Within 12 months	$13,002	$ 11	$(15)	$12,998
Beyond 12 months but within 5 years	44,387	888	(14)	45,261
	$57,389	$899	$(29)	$58,259

During 1996, 1995 and 1994, thirteen investment securities, nine investment securities and four investment securities with total amortized cost of $13.0 million, $9.0 million and $4.0 million, respectively, matured or were sold within 90 days of maturity as permissible under SFAS No. 115. Proceeds from these maturities and sales were $13.0 million, $9.0 million and $4.0 million which resulted in gross realized losses of $5,156, $30,555 and $4,694.

At September 30, 1996, investment securities with amortized cost of $25.5 million were pledged to secure public deposits and deposits of individuals.

(5) Mortgage-Backed Securities

Mortgage-backed securities consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
	(In thousands)			
September 30, 1996:				

FHLMC participation certificates (6% - 11%, due 2005 through 2023)	$30,332	$157	$(496)	$29,993
FNMA mortgage-backed securities (7.75% - 8.11%, due 2022)	2,509	113	-	2,622
GNMA mortgage-backed securities (8%, due 2001 through 2002)	169	4	-	173
	$33,010	$274	$(496)	$32,788

(Continued)

</TABLE>

<TABLE>
<CAPTION>

<S>	Amortized Cost <C>	Gross Unrealized Gains <C>	Gross Unrealized Losses <C>	Market Value <C>
	(In thousands)			
September 30, 1996:				
FHLMC participation certificates (6% - 11%, due 2005 through 2023)	$36,186	$ 289	$ (405)	$ 36,070
FNMA mortgage-backed securities (7.75% - 8.11%, due 2022)	3,068	126	-	3,194
GNMA mortgage-backed securities (8%, due 2001 through 2002)	156	-	-	156
	$39,410	$ 415	$ (405)	$ 39,420

</TABLE>

There were no sales of mortgage-backed securities during 1996, 1995 or 1994.

(6) Loans

Loans consist of the following:

<TABLE>
<CAPTION>

<S>	September 30, 1996 <C>	1995 <C>
	(In thousands)	
Real estate mortgage (principally single family dwellings, 1-4 units)	$122,759	$105,367
Commercial real estate	62,043	56,489
Real estate construction	8,695	5,431
Commercial	12,578	10,055
Installment	27,847	24,376
Loans held for sale	396	897
Undisbursed proceeds on real estate construction	(4,461)	(2,240)
Deferred loan fees, net	(284)	(202)
Allowance for loan losses	(2,364)	(1,800)
	$227,209	$198,373

Accrued interest receivable at September 30, 1996 and 1995 consisted of the following:

1996 1995

	(In thousands)	
Loans	$ 1,527	$ 1,278
Investment securities	634	984
Mortgage-backed securities	219	276
	$ 2,380	$ 2,538

At September 30, 1996 and 1995, the allowance for uncollected interest amounted to $31,779 and $22,520, respectively.

Loans serviced for others approximated $136.5 million, $140.1 million, and $145.6 million at September 30, 1996, 1995, and 1994, respectively.

(Continued)

The following summarizes the changes in the allowance for loan losses for the years ended September 30, 1996, 1995, and 1994:

	1996	1995	1994
	(In thousands)		
Balance at beginning of year	$1,800	$1,655	$1,480
Provision for loan losses	885	482	523
Loan chargeoffs	(567)	(396)	(402)
Recoveries	246	59	54
Balance at end of year	$2,364	$1,800	$1,655

At September 30, 1996 and 1995, the recorded investment in loans that are considered to be impaired under SFAS No. 114 was $478,000 and $0, respectively. There was no specific allowance for credit losses related to the impaired loans as of September 30, 1996. The average recorded investment in impaired loans during the year ended September 30, 1996 was $493,236. The $478,000 impaired balance consists of only one loan and is considered impaired because the borrower declared bankruptcy. Because the loan was not deemed impaired until the end of the year, no interest income has been recognized since the loan became impaired. Large groups of smaller-balance homogenous loans such as residential mortgages and consumer installment loans are not evaluated for impairment individually.

First Palmetto had nonaccrual loans of approximately $984,000, $823,000, and $722,000, at September 30, 1996, 1995, and 1994, respectively. Foregone interest income related to nonaccrual loans for the years ended September 30, 1996, 1995 and 1994 amounted to $94,868, $58,622 and $62,672, respectively. Interest income recognized on nonaccrual loans for the years ended September 30, 1996, 1995 and 1994 amounted to $52,032, $45,747 and $21,603, respectively.

First Palmetto offers mortgage and consumer loans to its officers, directors and employees for the financing of their personal residences and for other personal purposes. These loans are currently made in the ordinary course of business and are made on substantially the same terms, including interest rates and collateral, prevailing at the time for comparable transactions with other persons. Management does not believe these loans involve more than the normal risk of collectibility or present other unfavorable features.

First Palmetto is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position.

(Continued)

First Palmetto's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contract amount of those instruments. First Palmetto uses the same credit policies in making commitments as it does for on-balance-sheet instruments. At September 30, 1996 and 1995, preapproved but unused lines of credit for loans totaled approximately $18.4 million and $16.3 million, standby letters of credit approximated $2.5 million and $1.6 million, and outstanding loan commitments aggregated $945,000 and $2.4 million, respectively. Of these loan commitments, $247,000 and $236,000 are at variable rates and $698,400 and $2.2 million at September 30, 1996 and 1995, respectively at fixed rates ranging from 8.25% to 8.50%. These commitments, including undisbursed proceeds on construction loans, represent no more than the normal lending risk that First Palmetto commits to its borrowers. If these commitments are drawn, First Palmetto will obtain collateral if it is deemed necessary based on management's credit evaluation of the borrower. Management believes that these commitments can be funded through normal operations. First Palmetto is not involved with any other types of financial instruments with off-balance sheet risk.

First Palmetto grants residential, residential construction, commercial, and installment loans to customers throughout its market area. As reflected in the summary of loans receivable at September 30, 1996, the largest component of First Palmetto's loan portfolio consists of lower-risk single-family, 1-4 unit, residential loans. The higher risk components of the loan portfolio consist of real estate construction, commercial, and installment loans for which repayment is more dependent on current real estate market and general economic conditions.

(7) Real Estate Acquired in Settlement of Loans

A comparative summary of real estate acquired in settlement of loans follows:

	September 30, (In thousands) 1996	1995
Undeveloped land	$ 70	$ 93
Single family residences	162	213
Commercial property	248	725
	$ 480	$1,031

(8) Investments Required by Law

First Palmetto is required by law to invest in stock of a Federal Home Loan Bank (FHLB). No ready market exists for the FHLB stock and it has no quoted market value. This stock is redeemable at $100 per share subject to certain limitations set by the FHLB.

(Continued)

Eligible deposit accounts are insured up to $100,000 by the Federal Deposit Insurance Corporation. Federal deposit insurance expense amounted to approximately $1.8 million, $618,000, and $521,000 for the years ended September 30, 1996, 1995, and 1994, respectively. On September 30, 1996, First Palmetto was assessed a one time assessment of approximately 65 basis point for every $100 of domestic deposits. The one time assessment amounted to $1.3 million.

(9) Premises and Equipment

A comparative summary of premises and equipment follows:

<TABLE>
<CAPTION>

	Cost	Accumulated Depreciation	Net Book Value
		(In thousands)	
September 30, 1996:			
Land and improvements	$2,066	$ 2	$2,064
Office buildings and improvements	3,271	1,071	2,200
Leasehold improvements	856	571	285
Furniture, fixtures and equipment	742	236	506
Automobiles	75	13	62
	$7,010	$1,893	$5,117
September 30, 1995:			
Land and improvements	$1,532	$ 1	$1,531
Office buildings and improvements	2,996	1,207	1,789
Leasehold improvements	947	594	353
Furniture, fixtures and equipment	2,139	1,801	338
Automobiles	78	6	72
	$7,692	$3,609	$4,083

</TABLE>

First Palmetto leases various equipment and land under operating leases expiring on various dates through 2019. Minimum lease commitments under all noncancelable leases are as follows:

<TABLE>
<CAPTION>

Years ending September 30,	(In thousands)
1997	$145
1998	143
1999	83
2000	47
2001	28
Later years	147
	$593

</TABLE>

Rent expense was $143,443, $121,267, and $97,568 for the years ended September 30, 1996, 1995, and 1994, respectively.

(Continued)

(10) Deposits

A comparative summary of deposits follows:

<TABLE>
<CAPTION>

	September 30, 1996	1995
	(In thousands)	
Noninterest bearing checking	$ 15,627	$ 13,54
NOWs (1.75% in 1996 and 2.00% in 1995)	29,820	31,68
MMDAs (3.00% in 1996 and 3.10% in 1995)	26,539	18,53
Savings (2.50% in 1996 and 1995)	22,057	23,920

	94,043	87,680
Time:		
Less than 3.00%	33	65
3.00% to 4.99%	14,974	17,71
5.00% to 6.99%	176,152	152,99
7.00% to 9.99%	2,955	8,859
	194,114	179,633
	$288,157	$267,313
Weighted average cost of deposits (as of dates indicated above)	4.65%	4.56%

</TABLE>

A summary of time deposits by maturity as of September 30, 1996 follows:

<TABLE>
<CAPTION>

<S>	(In thousands) <C>
October 1, 1996 - September 30, 1997	$166,684
October 1, 1997 - September 30, 1998	20,333
October 1, 1998 - September 30, 1999	6,210
After September 30, 1999	887
Total time deposits	$194,114

</TABLE>

At September 30, 1996 and 1995, the aggregate amount of time deposits of $100,000 or more amounted to $50.8 million and $39.6 million respectively.

Interest expense on deposits consists of the following:

<TABLE>
<CAPTION>

	Years ended September 30,		
	1996	1995	1994
		(In thousands)	
<S>	<C>	<C>	<C>
NOWs and MMDAs	$ 1,378	$ 1,233	$ 679
Savings	586	641	491
Certificates of Deposit	10,365	8,505	5,831
	$12,329	$10,379	$7,001

</TABLE>

At September 30, 1996, approximately $497,000 in interest-bearing balances in other banks and $25.0 million in investment securities were pledged to secure public deposits and deposits of individuals.

(Continued)

(11) FHLB Advances

FHLB advances consist of the following:

<TABLE>
<CAPTION>

Maturity Date	Interest Rate	September 30, 1996	1995
		(In thousands)	
<S>	<C>	<C>	<C>
January 7, 1996	5.88%	$ -	$10,000

January 28, 1996	5.97%	-	2,000
March 31, 1996	4.42%	-	667
April 28, 1996	4.37%	-	333
September 19, 1996	6.75%	-	2,000
September 21, 1996	6.75%	-	1,500
February 24, 1997	5.40%	500	500
March 11, 1997	5.45%	1,000	2,000
April 28, 1997	4.67%	250	500
June 1, 1997	5.01%	1,000	2,000
June 5, 1997	5.86%	5,000	5,000
July 27, 1997	5.25%	1,000	1,000
December 11, 1997	5.66%	5,000	-
January 29, 1998	5.32%	2,000	-
March 31, 1998	5.03%	400	600
April 28, 1998	4.98%	400	600
January 8, 1999	5.27%	10,000	-
February 25, 1999	5.30%	1,500	2,000
April 28, 1999	5.23%	500	667
July 27, 1999	5.82%	1,000	1,000
July 27, 2000	6.02%	1,000	1,000
January 29, 2001	5.69%	2,000	-
		$32,550	$33,367

</TABLE>

At September 30, 1996, all stock in the FHLB, and a blanket lien on certain first mortgage loans secured by one to four unit single-family dwellings were pledged as collateral to secure these advances.

(Continued)

(12) Income Taxes

As discussed in note 1(k), First Palmetto adopted SFAS No. 109 as of October 1, 1993. The cumulative effect of this change in accounting for income taxes of $243,270 was determined as of October 1, 1993 and is reported separately in the consolidated statement of income for the year ended September 30, 1994.

Income tax expense consists of the following:

<TABLE>
<CAPTION>

	Years ended September 30,		
	1996	1995	1994
	(In thousands)		
<S>	<C>	<C>	<C>
Current:			
Federal	$1,725	$1,295	$1,112
State	76	-	77
	1,801	1,295	1,189
Deferred:			
Federal	(516)	3	(4)
State	(90)	2	-
	(606)	5	(4)
	$1,195	$1,300	$1,185

</TABLE>

The income tax expense of First Palmetto for the years ended September 30, 1996, 1995, and 1994 was different from the amount computed by applying the federal income tax rate to income before income taxes because of the following:

<TABLE>
<CAPTION>

Years ended September 30,

	1996	1995	1994
	(Dollars in thousands)		
Income tax expense at federal rate	$1,091	$1,244	$1,091
Increase in income taxes resulting from:			
State income tax expense, net of federal income tax benefit	-	1	51
Other, net	104	55	43
	$1,195	$1,300	$1,185
Effective tax rate	37.3%	35.5%	36.9%

</TABLE>

(Continued)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at September 30, 1996, 1995 and 1994 are presented below:

<TABLE>
<CAPTION>

	September 30, 1996	September 30, 1995
	(In thousands)	
Deferred tax assets:		
Provision for loan losses	$ 425	$ 289
Net fees deferred for financial reporting	114	127
Accrued vacation pay	28	56
Special FDIC assessment	472	-
Other	12	26
Total gross deferred tax assets	1,051	498
Deferred tax liabilities:		
FHLB stock basis over tax basis	315	315
Depreciation	32	40
Unrealized gains on securities	159	181
Other	-	-
Total gross deferred tax liability	506	536
Net deferred tax asset (liability)	$ 545	$ (38)

</TABLE>

No valuation allowance for deferred tax assets was required at September 30, 1996, 1995 and 1994. A portion of the change in the net deferred tax asset/(liability) relates to the unrealized gains and losses on securities available-for-sale. Under SFAS No. 115 the related deferred tax expense of $23,000 has been recorded directly to shareholders' equity. The balance of the change in the deferred tax asset/(liability) results from the current period deferred tax expense of $606,000. The realization of net deferred tax assets may be based on utilization of carrybacks to prior taxable periods, anticipation of future taxable income in certain periods, and the utilization of tax-planning strategies. Management has determined that it is more likely than not that the net deferred tax asset can be supported based upon these criteria.

Under the Internal Revenue Code (the Code), the Bank is allowed a special bad debt deduction related to additions to tax bad debt reserves established for the purpose of absorbing losses. The provisions of the Code permit First Palmetto to deduct from taxable income an allowance for bad debts based on the greater of a percentage (8%) of taxable income before such deduction or actual loss experience. For all three years, the percentage of taxable income method was used. For tax years beginning after 1995, this method has been repealed. In future years, First Palmetto must use the "Bank" experience method or the specific charge-off method. First Palmetto is required to recapture into taxable income the portion of it's bad debt reserves that exceeds its base year reserves. The amount of bad debt reserves subject to recapture over six years for the Bank is $1.2 million. The base year reserves of $4.6 million will not be subject to recapture unless the bad debt reserves are used for purposes other than to absorb bad debt losses.

(Continued)

Income tax returns for 1993 and subsequent years are subject to examination by the taxing authorities.

(13) Stockholders' Equity

Federal regulations require savings institutions to have minimum regulatory tangible capital equal to 1.5% of adjusted total assets, a minimum core capital ratio equal to 3.0% of adjusted total assets, and risk-based capital equal to 8.0% of risk-weighted assets. As of September 30, 1996, First Palmetto has regulatory tangible capital equal to 4.8% of total adjusted assets, regulatory core capital equal to 5.0% of total adjusted assets, and risk-based capital equal to 10.1% of risk-weighted assets.

The following table sets forth the Bank's capital position relative to its various minimum regulatory capital requirements at September 30, 1996:

<TABLE>
<CAPTION>

	Amount	Percent of Assets (a)
	(Dollars in thousands)	
<S>	<C>	<C>
Tangible Capital	$16,222	4.8%
Tangible Capital Requirement	5,106	1.5
Excess	$11,116	3.3%
Core Capital	$17,070	5.0%
Core Capital Requirement	10,237	3.0
Excess	$ 6,833	2.0%
Risk-Based Capital (i.e., Core and Supplementary Capital)	$19,434	10.1%
Risk-Based Capital Requirement	15,377	8.0
Excess	$ 4,057	2.1%

</TABLE>

(a) Percent of adjusted total assets for the purposes of the tangible and core capital requirements and risk-weighted assets for the purpose of the risk-based requirement.

(14) Pension Plan

First Palmetto has a noncontributory pension plan for substantially all employees. Contributions are 8% of each active participant's compensation for the year plus 5.7% of each active participant's compensation for the year over $10,000. First Palmetto's expense related to the plan amounted to $300,000, $325,000, and $312,000 for the years ended September 30, 1996, 1995, and 1994, respectively.

(Continued)

(15) Stock Option Plan

Options under the First Palmetto Financial Corporation's 1990 Stock Option Plan (the 1990 Plan) may be granted to employees at an exercise price equal to the fair market value of the stock on the date of the grant and shall be exercisable within ten years from the date of the grant. In the case of an employee who owns more than 10% of First Palmetto's outstanding common stock at the time the option is granted, the option price may not be less than 110% of the fair market value of the shares on the date of the grant, and shall not be exercisable after the expiration of five years from the date it is granted. Option shares may be paid for in cash, shares of common stock, or a combination of both. An aggregate of 66,459 additional shares of common stock have been reserved for issuance under this plan. At September 30, 1996, no options had been granted under this plan.

(16) Fair Value of Financial Instruments

Fair value estimates, methods, and assumptions as of September 30, 1996 and 1995 for First Palmetto are set forth below and are subject to the following limitations.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do no reflect any premium or discount that could result from offering for sale at one time First Palmetto's entire holdings of a particular financial instrument. Because no market exists for a portion of First Palmetto'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.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business. The value of assets and liabilities that are not considered financial assets or liabilities including the mortgage banking operation, deferred tax liabilities, and premises and equipment. In addition, the 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.

(Continued)

First Palmetto's fair value methods and assumptions are as follows:

- Cash and due from banks, interest-bearing balances in other banks, certificates of deposit in other banks, accrued interest receivable, and FHLB stock - the carrying value is a reasonable estimate of fair value.

- Available-for-sale securities, investment securities, and mortgage-backed securities - 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 - fair value for fixed and adjustable rate loans is estimated based upon discounted future cash flows using discount rates comparable to rates currently offered for such loans.

- Deposits - the fair value of time deposits 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.

- FHLB advances - fair value is estimated based on the current rates offered to First Palmetto for debt of the same remaining maturities.

- Commitments to extend credit and standby letters of credit - First Palmetto's variable rate credit commitments are subject to minimal interest rate risk exposure since the rates periodically (generally one year or less) adjust to market. Fixed rate loan commitments do not represent significant interest rate risk exposure as these loans are typically sold.

Based on the limitations, methods, and assumptions noted above, the estimated fair values of First Palmetto's financial instruments are as follows:

	Carrying Amount	Fair Value
	(In thousands)	
September 30, 1996:		
Financial assets:		
Cash and due from banks	$ 8,867	$ 8,867
Interest-bearing accounts in other banks	13,649	13,649
Certificates of deposit in other banks	399	399
Available-for-sale securities	997	997
Investment securities	46,607	47,096
Mortgage-backed securities	33,010	32,788
Loans	227,209	229,849
Accrued interest receivable	2,380	2,380
FHLB stock	2,122	2,122
Financial liabilities:		
Deposits	288,157	288,415
FHLB advances	32,550	32,176

(Continued)

	Carrying Amount	Fair Value
	(In thousands)	
September 30, 1995:		
Financial assets:		
Cash and due from banks	$ 10,194	$ 10,194
Interest-bearing accounts in other banks	2,785	2,785
Certificates of deposit in other banks	399	399
Available-for-sale securities	1,039	1,039
Investment securities	57,389	58,259
Mortgage-backed securities	39,410	39,420
Loans	198,373	200,602
Accrued interest receivable	2,538	2,538
FHLB stock	2,122	2,122
Financial liabilities:		
Deposits	267,313	267,771
FHLB advances	33,367	33,183

(Continued)

(17) Summary of Quarterly Income Statement Information (Unaudited)

A summary of quarterly income statement information for the years ended

September 30, 1996 and 1995 follows:

<TABLE>
<CAPTION>

(Dollars in thousands, except per share amounts)
Year ended September 30, 1996

	Three months ended			
	December 31	March 31	June 30	September 30
Interest income	$6,357	$6,521	$6,510	$6,628
Interest expense	3,568	3,585	3,480	3,553
Net interest income	2,789	2,936	3,030	3,075
Provision for loan losses	75	145	75	590
Net interest income after provision for loan losses	2,714	2,791	2,955	2,485
Other income	508	776	480	491
Other expense	2,086	2,107	2,282	3,518
Income (loss) before income taxes	1,136	1,460	1,153	(542)
Income taxes (benefit)	400	514	407	(126)
Net income (loss)	$ 736	$ 946	$ 746	$ (416)
Per share data				
Net income (loss)	$1.06	$1.37	$1.08	$(.61)

<CAPTION>

(Dollars in thousands, except per share amounts)
Year ended September 30, 1995

	Three months ended			
	December 31	March 31	June 30	September 30
Interest income	$5,152	$5,506	$5,857	$6,280
Interest expense	2,611	3,038	3,316	3,518
Net interest income	2,541	2,468	2,541	2,762
Provision for loan losses	95	75	100	212
Net interest income after provision for loan losses	2,446	2,393	2,441	2,550
Other income	449	407	629	479
Other expense	1,797	1,962	2,192	2,185
Income before income taxes	1,098	838	878	844
Income taxes	388	292	309	311
Net income	$ 710	$ 546	$ 569	$ 533
Per share data				
Net income	$1.02	$.79	$.83	$.76

</TABLE>

(Continued)

(18) Parent Company Financial Data

The primary asset of First Palmetto (the Parent Company) is its investment in the Bank and its principal sources of income are dividends from the Bank and equity in undistributed net income of the Bank. Certain regulatory and other requirements restrict the lending of funds by the Bank to the Parent Company and the amount of dividends which can be paid to the Parent Company. At September 30, 1996, the Bank had available undivided profits of approximately $3.3 million for payments of dividends without obtaining prior regulatory approval.

The following is a summary of selected financial information for the Parent Company:

Statements of Financial Condition

	September 30,	
	1996	1995
	(In thousands)	
Assets		
Cash on deposit with subsidiary	$ 297	$ 285
Available-for-sale securities	997	1,039
Investment in subsidiary	19,063	18,185
Total assets	$20,357	$19,509
Liabilities		
Deferred taxes	$ 149	$ 164
Total liabilities	149	164
Stockholders' equity		
Common stock	7	7
Additional paid-in capital	6,080	6,080
Retained earnings, substantially restricted	14,474	13,570
Unrealized gain on available-for-sale securities	272	309
Treasury stock, at cost	(625)	(621)
Total stockholders' equity	20,208	19,345
Total liabilities and stockholders' equity	$20,357	$19,509

Statements of Income

	Years ended September 30,		
	1996	1995	1994
	(In thousands)		
Dividends from subsidiary	$1,100	$ 950	$1,300
Equity in undistributed net income of subsidiary	889	1,392	964
Other income	35	36	17
Total income	2,024	2,378	2,281
Expenses	12	20	14
Net income	$2,012	$2,358	$2,267

(Continued)

FIRST PALMETTO FINANCIAL CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Statements of Cash Flows

<TABLE>
<CAPTION>

	Years ended September 30,		
	1996	1995	1994
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 2,012	$ 2,358	$2,267
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiary	(889)	(1,392)	(964)
Net cash provided by operating activities	1,123	966	1,303
Cash flows from investing activities:			
Purchase of available-for-sale securities	-	-	(435)
Proceeds from sale of available-for-sale securities	-	-	13
Net cash used in investing activities	-	-	(422)
Cash flows from financing activities:			
Proceeds from stock options exercised	-	-	191
Purchase of common stock	(4)	(7)	(2)
Dividends paid to stockholders	(1,108)	(970)	(867)
Net cash used in financing activities	(1,112)	(977)	(678)
Net increase (decrease) in cash and cash equivalents	11	(11)	203
Cash and cash equivalents at beginning of year	285	296	93
Cash and cash equivalents at end of year	$ 296	$ 285	$ 296
Supplemental schedule of noncash financing activities:			
Decrease in unrealized gain on available-for-sale securities of subsidiary	$ -	$ -	$ 322
Unrealized gain on available-for-sale securities of parent company (net of tax effect of $20)	(37)	172	108

</TABLE>

(Continued)

(19) Commitments and Contingencies

First Palmetto is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of the matters will not have a material effect on

First Palmetto's financial position, results of operations or liquidity.

The average Federal Reserve balance requirement as of September 30, 1996 was $923,000.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
First Palmetto Financial Corporation
Camden, South Carolina

We have audited the accompanying consolidated statements of financial condition of First Palmetto Financial Corporation and subsidiary (First Palmetto) as of September 30, 1996 and 1995, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended September 30, 1996. These consolidated financial statements are the responsibility of First Palmetto's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Palmetto Financial Corporation and subsidiary at September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 1(k) to the consolidated financial statements, First Palmetto adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," on October 1, 1993.

/s/ KPMG Peat Marwick, LLP

November 22, 1996

FIRST PALMETTO FINANCIAL CORPORATION

BOARD of DIRECTORS and EXECUTIVE OFFICERS

DIRECTORS	EXECUTIVE OFFICERS
H. Davis Green, Jr. Chairman of the Board of First Palmetto H. Davis Green, Jr. Appraisals Camden, South Carolina	H. Davis Green, Jr. Chairman of the Board
Samuel R. Small Chief Executive Officer, First Palmetto Savings Bank, F.S.B. Camden, South Carolina	Samuel R. Small President and Chief Executive Officer
Steve G. Williams, Jr. Senior Vice President and Treasurer, First Palmetto Savings Bank, F.S.B. Camden, South Carolina	Steve G. Williams, Jr. Senior Vice-President and Treasurer
Pierce W. Cantey, Jr. Managing Partner, Carswell, Cantey, Burch and Associates, LLP Camden, South Carolina	Darlene H. Love Secretary
William R. Clyburn	

President, Bill Clyburn Realty, Inc.
Kershaw, South Carolina

James L. Creed
Timber Company Executive (Retired),
D.J. Creed and Son, Inc.
Camden, South Carolina

Frank Goodale
Merchant, F.D. Goodale, Jeweler
Camden, South Carolina

Donald H. Holland
Attorney, Holland, DuBose and Cushman
Camden, South Carolina

Charlie E. Nash
President, Charlie E. Nash Insurance Agency, Inc.
Camden, South Carolina

Glenn G. Tucker
Publisher, Camden Chronicle-Independent
Camden, South Carolina

DIRECTOR EMERITUS

H. B. Marshall, Jr.
Agent, New York Life Insurance Company
Camden, South Carolina

Austin M. Sheheen, Sr.
Business Executive (Retired), Sheheen Texaco
Camden, South Carolina

William F. Tripp, Jr.
Plant Manager (Retired), E. I. DuPont
Camden, South Carolina

FIRST PALMETTO FINANCIAL CORPORATION

CORPORATE INFORMATION

CORPORATE HEADQUARTERS
First Palmetto Financial Corporation
407 DeKalb Street
Camden, South Carolina 29020
Telephone (803) 432-1416

STOCK TRANSFER AGENT
First Palmetto Savings Bank, F.S.B.
407 DeKalb Street
Camden, South Carolina 29020

INDEPENDENT ACCOUNTANTS
KPMG Peat Marwick
Suite 2800
Two First Union Center
Charlotte, North Carolina 28282-8290

LEGAL COUNSEL
Holland, DuBose and Cushman
718 Lafayette Avenue
Camden, South Carolina 29020

Savage, Royall and Sheheen
1111 Church Street
Camden, South Carolina 29020

BRANCH OFFICES
921 Bay Street, Beaufort, South Carolina 29902
104 East Church Street, Bishopville, South Carolina 29010
2310 North Broad Street, Camden, South Carolina 29020
3932 Forest Drive, Columbia, South Carolina 29206
9221 Two Notch Road, Columbia, South Carolina 29223
266 Cashua Street, Darlington, South Carolina 29532
Highway #1, Elgin, South Carolina 29045
10540 Two Notch Road, Elgin, South Carolina 29045

7327 St. Andrews Road, Irmo, South Carolina 29063
301 Hampton Street, Kershaw, South Carolina 29067
977 North Main Street, Lancaster, South Carolina 29721
Highway #1, Lugoff, South Carolina 29078
111 North Brooks Street, Manning, South Carolina 29102
210 North Pearl Street, Pageland, South Carolina 29728

SUBSIDIARY
First Palmetto Savings Bank, F.S.B.
407 DeKalb Street
Camden, South Carolina 29020

EMPLOYEES
At September 30, 1996 First Palmetto employed 137 persons.

COMMON STOCK INFORMATION

At September 30, 1996, First Palmetto had 693,010 shares of common stock outstanding held by approximately 396 shareholders.

At the present time, there is no established public trading market in which shares of First Palmetto's common stock are regularly traded, nor are there any uniformly quoted prices for such shares. The following is the known range of high and low sales prices for the common stock for the two most recent years.

<TABLE>
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Stock Data-Per Share	October 1, 1995 to September 30, 1996	October 1, 1994 to September 30, 1995
<S>	<C>	<C>
Sales Price (Estimated)		
High	$27.00	$28.00
Low	$33.00	$27.00
Book Value at September 30	$29.16	$27.90
Cash Dividend	$ 1.60	$ 1.40

</TABLE>

FORM 10-K INFORMATION

A copy of Form 10-K, including financial statements and schedules, as filed with the Securities and Exchange Commission will be furnished without charge to stockholders as of the record date upon written request made to First Palmetto's corporate headquarters, attention Darlene Love, Secretary.

EXHIBIT 22

Subsidiaries

Subsidiaries

First Palmetto Financial Corporation ("First Palmetto") owns 100% of the common stock of First Palmetto Savings Bank, F.S.B., a federally chartered stock savings bank ("the Bank"). The Bank owns 100% of the common stock of each of Palmetto State Service Corporation, a South Carolina corporation.

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