# FORM 10QSB/A

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d) [amend]

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
**SEC Accession No.** 0000897979-96-000013

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## FILER

**FIRST CENTRAL BANCSHARES INC**

CIK:**897979**| IRS No.: **621482501** | State of Incorp.:**TN** | Fiscal Year End: **1231**
Type: **10QSB/A** | Act: **34** | File No.: **000-23924** | Film No.: **96687540**
SIC: **6022** State commercial banks

Mailing Address
*725 HIGHWAY 321 N*
*P O BOX 230*
*LENOIR CITY TN 37771-0230*

Business Address
*725 HWY 321 NORTH*
*P O BOX 230*
*LENOIR CITY TN 37771-0230*
*423-986-1300*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

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

For the transition period from _________ to _________

Commission file number: 33-58832

FIRST CENTRAL BANCSHARES, INC.
(Exact name of small business issue as specified in its charter)

Tennessee
(State or other jurisdiction of incorporation or organization)
725 Highway 321 North, Lenoir City, Tennessee
(Address of principal executive office)

62-1482501
(I.R.S. Employer Identification No.)
37771-0230
(Zip Code)

Registrant's telephone number, including area code: (423) 986-1300

Indicate by 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 mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or (15d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes [x] No [ ]

The number of outstanding shares of the registrant's Common Stock, par value $5.00 per share, was 466,755 on November 11, 1996.

FORM 10-QSB

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST CENTRAL BANCSHARES, INC. AND SUBSIDIARY

Condensed Consolidated Balance Sheets

(Unaudited)
(In Thousands)

| | September 30, 1996 | December 31, 1995 |
|---|---|---|
| -ASSETS- | | |
| Cash and Due from Banks | $ 3,708 | $ 2,426 |
| Federal Funds Sold | 1,700 | 8,300 |
| Total Cash and Cash Equivalents | 5,408 | 10,726 |
| Certificate of Deposit in Other Banks | -0- | 100 |
| Investment Securities Available for Sale | 11,576 | 8,478 |
| Loans | 56,156 | 45,155 |
| Less: Unearned Interest | (974) | (868) |
| Unearned Loan Fees | (64) | (44) |
| Allowance for Loan Losses | (551) | (434) |
| Net Loans | 54,567 | 43,809 |
| Premises and Equipment (Net) | 3,407 | 3,089 |
| Other Assets | 526 | 544 |
| TOTAL ASSETS | $75,484 | $66,746 |
| -LIABILITIES AND STOCKHOLDERS' EQUITY- | | |
| Liabilities: | | |
| Deposits | | |
| Non-Interest Bearing | $10,434 | $ 8,023 |
| Interest Bearing | 58,621 | 52,503 |
| Total Deposits | 69,055 | 60,526 |
| Other Liabilities | 462 | 642 |
| Total Liabilities | 69,517 | 61,168 |
| Stockholders' Equity: | | |
| Common Stock - Par Value $5.00, Authorized 2,000,000 Shares; Issued and Outstanding 466,755 (424,379 in 1995) | 2,334 | 2,122 |
| Additional Paid-In Capital | 3,427 | 2,579 |
| Retained Earnings (Deficit) | 336 | 888 |

| | | |
|---|---|---|
| Unrealized Gain (Loss) on Securities | (130) | (11) |
| Total Stockholders' Equity | 5,967 | 5,578 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $75,484 | $66,746 |

See accompanying notes to financial statements.

FIRST CENTRAL BANCSHARES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Income

(Unaudited)

| | (In Thousands Except per Share Information) | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 1996 | 1995 | 1996 | 1995 |
| INTEREST INCOME: | | | | |
| Loans | $1,334 | $1,057 | $3,772 | $2,976 |
| Investment Securities and CDs | 193 | 136 | 543 | 387 |
| Federal Funds Sold | 27 | 71 | 199 | 89 |
| Total Interest Income | 1,554 | 1,264 | 4,514 | 3,452 |
| INTEREST EXPENSE | 732 | 619 | 2,181 | 1,561 |
| Net Interest Income | 822 | 645 | 2,333 | 1,891 |
| PROVISION FOR LOAN LOSSES | 75 | 28 | 193 | 93 |
| Net Interest Income After Provision for Loan Losses | 747 | 617 | 2,140 | 1,798 |
| OTHER INCOME | 105 | 92 | 307 | 269 |
| OPERATING EXPENSES | 555 | 476 | 1,615 | 1,403 |
| INCOME BEFORE INCOME TAX | 296 | 233 | 832 | 664 |
| INCOME TAXES | 115 | 93 | 324 | 252 |
| NET INCOME | $ 181 | $ 140 | $ 508 | $ 412 |
| EARNINGS PER SHARE | $ 0.39 | $ 0.34 | $ 1.10 | $ 0.98 |

See accompanying notes to financial statements.

FIRST CENTRAL BANCSHARES, INC. AND SUBSIDIARY

Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In Thousands)

| | Nine Months Ended September 30, (Unaudited) 1996 | 1995 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | $ 508 | $ 415 |
| Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities: | | |
| Provision for Loan Losses | 193 | 93 |
| Depreciation | 105 | 124 |
| Amortization | 3 | 3 |
| Increase (Decrease) in Unearned Interest/Loan Fees | 126 | 132 |
| Amortization of Premiums (Discounts) on Investment Securities and CDs, Net | 13 | 8 |
| FHLB Stock Dividends | (14) | (23) |
| (Increase) Decrease in Other Assets | 89 | 198 |
| Increase (Decrease) in Other Liabilities | (180) | 232 |
| Total Adjustments | 337 | 540 |
| Net Cash Provided by Operating Activities | 842 | 1,182 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds From Maturity of CD | 100 | -0- |
| Proceeds From Maturities, Principal Paydowns and Redemption of Investment Securities | 3,674 | 2,385 |
| Purchase of Investment Securities | (6,963) | (3,888) |
| Increase in Loans | (11,077) | (4,945) |
| Purchase of Premises and Equipment | (423) | (788) |
| Net Cash Used in Investing Activities | (14,689) | (7,236) |
| NET CASH USED IN INVESTING ACTIVITIES | | |
| Increase in Deposits | 8,529 | 9,148 |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (5,318) | 3,094 |
| CASH AT BEGINNING OF PERIOD | 10,726 | 4,187 |
| CASH AT END OF PERIOD | $ 5,408 | $ 7,281 |

| | | |
|---|---|---|
| Supplementary Disclosure of Cash Flow Information: | | |
| Cash Paid During the Year For: | | |
| Interest | $ 2,162 | $ 1,561 |
| Income Tax | $ 435 | $ 254 |
| Supplementary Disclosure of Noncash Investing Activities: | | |
| Change in Net Unrealized Loss on Investment Securities | $ 119 | $ 251 |
| Change in Deferred Income Tax Benefit Associated with Unrealized Loss on Investment Securities | $ 73 | $ 95 |
| Change in Unrealized Loss on Investment Securities | $ 192 | $ 156 |
| Issuance of Common Stock Dividend: | | |
| Par | $ 212 | $ -0- |
| Capital in Excess of Par Value | $ 848 | $ -0- |
| Reduction in Retained Earnings Due to Issuance of Common Stock | $ 1,060 | $ -0- |

See accompanying notes to financial statements.

FIRST CENTRAL BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 1996 and 1995

NOTE 1 - ORGANIZATION AND BUSINESS

First Central Bancshares, Inc. (the Company) was incorporated in 1993 for the purpose of becoming a one bank holding company. On April 3, 1993, the Company acquired 100% of First Central Bank (the Bank) through a share exchange agreement approved by the shareholders of the Bank. The investment in First Central Bank represents virtually all of the assets of First Central Bancshares, Inc.

The consolidated financial statements include the accounts of First Central Bancshares, Inc. and its wholly owned subsidiary, First Central Bank. All significant intercompany transactions and balances have been eliminated.

NOTE 2 - BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared by the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. In the opinion of the Company's management, the disclosures made are adequate to make the information presented not misleading, and the consolidated financial statements contain all adjustments necessary to present fairly the financial position as of June 30, 1996, results of operations for the three months and nine months ended September 30, 1996 and 1995, and cash flows for the nine months ended September 30, 1996 and 1995.

The results of operations for the nine months ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year.

NOTE 3 - COMMON STOCK DIVIDEND

In February 1996 the Company distributed a ten percent (10%) dividend to its stockholders by issuing an additional 42,376 shares of common stock. The Company used a fair market value of $25.00 per share and credited common stock $5.00 per share or $211,880, additional paid in capital $20.00 or $847,520, and charged retained earnings a total of $1,059,400.

NOTE 4 - ACCOUNTING POLICY CHANGES

In March 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment. If the carrying amount of the asset exceeds its fair value, an impairment loss shall be recognized. This Statement was adopted by the Bank on January 1, 1996 and had no impact on the consolidated financial statements.

In May 1995, the FASB issued SFAS No. 122, Accounting for Mortgage Servicing Rights. SFAS No. 122 amends SFAS No. 65 to eliminate the accounting distinction between rights to service mortgage loans for others that are acquired through loan origination activities and those acquired through purchased transactions. A mortgage banking enterprise that acquires mortgages servicing rights through either the purchase or origination of mortgage loans and sells or securitizes those loans with servicing rights and the loans based on their relative fair values. The Statement also requires that the capitalized mortgage servicing rights be evaluated for impairment based on the fair value of those rights.

This statement was adopted by the Bank on January 1, 1996 and had no impact on the consolidated financial statements as of and for the nine months ended September 30, 1996 because no loans were sold during that period. Retroactive capitalization of mortgage servicing rights retained in transactions in which a mortgage banking enterprise originates mortgage loans and sells or securitizes those loans before the adoption of this Statement is prohibited.

In October 1995, the FASB issued SFAS No. 123, Accounting for Stock-Based Compensation. This statement encourages entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost of those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees, whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Entities electing to remain with the accounting in Opinion No. 25 must make pro forma disclosures of net income and earnings per share, as if the fair value based method of accounting had been applied. Neither the Company nor the Bank currently has an employee stock compensation plan, therefore, the Statement had no impact on the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

BALANCE SHEET ANALYSIS - COMPARISON AT SEPTEMBER 30, 1996 TO DECEMBER 31, 1995

Assets totalled $75.5 million as of September 30, 1996, as compared to $66.7 million as of December 31, 1995, an increase of 13%.

INVESTMENT SECURITIES

Investment securities were $11.6 million or 15% of total assets, as of September 30, 1996, an increase of $3.1 million from $8.5 million as of December 31, 1995. During the nine-month period there were $924,000 in calls and maturities, $2.75 million in principal paydowns offset by the purchase of $6.9 million in agency securities.

The investment portfolio is comprised of U.S. Government and federal agency obligations and mortgage-backed securities issued by various federal agencies. Mortgage-backed issues comprised 18% of the portfolio as of September 30, 1996 and 25% as of December 31, 1995.

As of September 30, 1996 and December 31, 1995, the Bank's entire investment portfolio was classified as available for sale and reflected on the balance sheet at fair value with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity. The net unrealized loss on securities available for sale, net of tax was approximately $130,000 as of September 30, 1996 ($11,000 as of December 31, 1995), a change of approximately $119,000 from December 31, 1995, a result of deterioration in the bond market. The fair value of securities fluctuates with the movement of interest rates. Generally, during periods of decreasing interest rates, the fair values increase whereas the opposite may hold true during a rising interest rate environment.

LOANS

During the first nine months of 1996, total gross loans outstanding increased by approximately $11.0 million to $56.2 million as of September 30, 1996, from $45.2 million as of December 31, 1995 attributable primarily to $25.6 million in originated loans offset by amortization and payoffs. As of September 30, 1996 and December 31, 1995, net loans outstanding represented 73% and 66% of total assets, respectively. Table 1 summarizes the Bank's loan portfolio by major category as of June 30, 1996 and December 31, 1995.

Table 1 - Loan Portfolio by Category

| | (In Thousands) | |
|---|---|---|
| | June 30, 1996 | December 31, 1995 |

| | | |
|---|---|---|
| Loans secured by real estate: | | |
| Commercial properties | $16,123 | $ 8,742 |
| Construction and land development | 9,206 | 6,163 |
| Residential and other properties | 15,949 | 17,154 |
| Total loans secured by real estate | 41,278 | 32,052 |
| Commercial and industrial loans | 5,109 | 3,928 |
| Consumer loans | 8,767 | 8,078 |
| Other loans | 1,002 | 1,090 |
| | 56,156 | 45,155 |
| Less: Allowance for loan losses | (551) | (434) |
| Unearned interest | (974) | (868) |
| Unearned loan fees | (64) | (44) |
| | $54,567 | $43,809 |

As of September 30, 1996, there were outstanding commitments to advance construction funds and to originate loans in the amount of $5.3 million and commitments to advance existing home equity, letters of credit and other credit lines in the amount of $13.3 million.

Loans are carried net of the allowance for loan losses. The allowance is maintained at a level to absorb possible losses within the loan portfolio. As of September 30, 1996 and December 31, 1995, the allowance had a balance of approximately $551,000 and $434,000, respectively. There were no loans on which the accrual of interest had been discontinued as of September 30, 1996, and there were no loans specifically classified as impaired as defined by SFAS No. 114. Table 2 summarizes the allocation of the loan loss reserve by major categories and Table 3 summarizes the activity in the loan loss reserve for the nine month period.

Table 2 - Allocation of the Loan Loss Reserve

| Balance applicable to: | 9-30-96 $ Amount | % to Total | 9-30-95 $ Amount | % to Total |
|---|---|---|---|---|
| Commercial, financial, and agricultural | $ 56 | 10.2% | $ 36 | 8.8% |
| Real Estate - Construction | 90 | 16.3% | 53 | 13.0% |
| Real Estate - Mortgages | 191 | 34.6% | 167 | 40.9% |
| Installment - Consumers | 76 | 13.8% | 73 | 17.9% |
| Other | 11 | 2.0% | 10 | 2.5% |
| Other Unallocated | 127 | 23.1% | 69 | 16.9% |
| Total | $551 | 100.00% | $408 | 100.00% |

Table 3 - Analysis of Loan Loss Reserve

| (In Thousands) | 9-30-96 | 9-30-95 |
|---|---|---|
| Balance, at beginning of period | $434 | $369 |
| Charge-offs: | | |

| | | |
|---|---|---|
| Commercial, financial, and agricultural | 7 | 10 |
| Real estate - construction | -0- | -0- |
| Real estate - mortgage | 6 | -0- |
| Installment - Customers | 89 | 49 |
| Other | -0- | -0- |
| | | |
| Recoveries: | | |
| Commercial, financial, and agricultural | 6 | -0- |
| Real estate - construction | -0- | -0- |
| Real estate - mortgages | -0- | -0- |
| Installment - consumers | 20 | 11 |
| Other | -0- | -0- |
| | | |
| Net charge-offs | 76 | 48 |
| Additions to loan loss reserve | 193 | 93 |
| Balance at end of period | $551 | $414 |
| | | |
| Ratio of net charge-offs to average loans outstanding | 0.15% | 0.12% |

DEPOSITS

Deposits increased by $8.5 million to $69.0 million as of September 30, 1996 from $60.5 million as of December 31, 1995. Demand deposits, which include regular savings money market, NOW and demand deposits, were $28.2 million, or 41% of total deposits, at September 30, 1996. Core deposits were 36% of total deposits at December 31, 1995. During the nine-month period, the Bank was successful in increasing total demand deposits by $6.2 million. Certificate accounts were $40.8 million at September 30, 1996, an increase of $2.3 million over the $38.5 million as of December 31, 1995. Table 4 summarizes the Bank's deposits by major category as of September 30, 1996 and December 31, 1995.

Table 4 - Deposits by Category

| | (In Thousands) | |
|---|---|---|
| | September 30, 1996 | December 31, 1995 |
| Demand Deposits: | | |
| Noninterest-bearing accounts | $10,434 | $ 8,023 |
| NOW and MMDA accounts | 14,466 | 10,443 |
| Savings accounts | 3,346 | 3,592 |
| Total Demand Deposits | 28,246 | 22,058 |
| | | |
| Term Deposits: | | |
| Less than $100,000 | $32,222 | $29,071 |
| $100,000 or more | 8,587 | 9,397 |
| | 40,809 | 38,468 |
| | | |
| | $69,055 | $60,526 |

CAPITAL

During the nine month period ended September 30, 1996, stockholders' equity increased by $389,000 to $6.0 million, due to net income for the period

$508,000 offset by the decrease in the value of securities available for sale.

## LIQUIDITY AND CAPITAL RESOURCES

The Bank's primary sources of liquidity are deposit balances, available-for-sale securities, principal and interest payments on loans and investment securities and FHLB advances.

As of September 30, 1996, the Bank held $11.6 million in available-for-sale securities and during the first nine months of 1996 the Bank received $3.3 million in principal payments on its investment portfolio. Deposits increased by $8.5 million during the same nine month period.

The Bank is a member of the Federal Home Loan Bank of Cincinnati and is eligible to obtain both short and long term credit advances. Borrowing capacity is limited to the Bank's available qualified collateral which consists primarily of certain 1-4 family residential mortgages and certain investment securities.

The Bank can also enter into repurchase agreement transactions should the need for additional liquidity arise. At September 30, 1996, the Bank had no repurchase agreements outstanding.

As of September 30, 1996, the Bank had capital of $6.0 million, or 7.9% of total assets, as compared to $5.6 million, or 8.4%, at December 31, 1995. Tennessee chartered banks that are insured by the FDIC are subject to minimum capital maintenance requirements. Regulatory guidelines define the minimum amount of qualifying capital an institution must maintain as a percentage of risk-weighted assets and total assets.

Table 5 - Regulatory Capital

| | (Dollars in Thousands) | | |
|---|---|---|---|
| | September 30, 1996 | December 31, 1995 | Minimum Regulatory Ratios |
| Tier 1 Capital as a Percentage of Risk-Weighted Assets | 11% | 11% | 4.00% |
| Total Capital as a Percentage of Risk-Weighted Assets | 12% | 12% | 8.00% |
| Leverage Ratio | 8% | 8% | Up to 5.00% |
| Total Risk-Weighted Assets | $56,349 | $49,111 | |

As of September 30, 1996 and December 31, 1995, the Bank exceeded all of the minimum regulatory capital ratio requirements.

## RESULTS OF OPERATIONS FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 1996 AND 1995

GENERAL

The Bank reported net income of $508,000 or $1.10 per share for the nine month period ended September 30, 1996 as compared with $412,000 or $0.9809 per share for the same period in 1995.

NET INTEREST INCOME

Net interest income increased by $442,000 to $2.3 million, for the nine month period in 1996 from the comparable period in 1995. Contributing to this increase was an increase in average interest earning assets. Average interest earning assets, at a yield of 9.02% totalled $66.7 million as of September 30, 1996. In comparison in 1995, average interest earning assets, at a yield of 9.16%, totalled $50.2 million.

Total interest income increased by $1.06 million for the nine month period in 1996 compared to the same period in 1995. This improvement is primarily attributable to an increase of approximately $16.5 million, or 33%, in the volume of average earning assets during the nine month period ended September 30, 1996 compared to the nine month period ended September 30, 1995. Interest income on loans increased by $796,000 over the same two periods primarily as a result of an increase of approximately $9.9 million in average loans outstanding. Over the same two periods, interest and dividends on investments increased by $156,000 due to an increase of approximately $3.6 million or 49% in the volume of investments during the nine month period. Interest income on Federal Funds Sold increased by $110,000 due to an increase of approximately $2.9 million in average Federal Funds Sold outstanding during the nine month period as compared to $2.1 million during the same period in 1995.

Total interest expense increased $620,000 for the nine month period ended September 30, 1996 compared to the same period in 1995. Interest on deposits increased by $625,000 as a result of slightly higher weighted average rates paid on deposits, but primarily to an increase in deposit balances. Interest paid on Federal Home Loan Bank advances for the two comparable periods was unchanged. The average rate on interest-bearing liabilities increased to 5.18% for the nine month period in 1996 from 5.00% in the comparable period of 1995.

Table 6 - Average Balances, Interest and Average Rates

| | 9-30-96 | | (in thousands) | | 9-30-95 | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| Assets: | | | | | | |
| Federal Funds Sold | $ 5,046 | $ 199 | 5.26% | $ 2,123 | $ 89 | 5.59% |
| Investments: | | | | | | |
| Securities--Taxable | 11,103 | 543 | 6.52% | 7,460 | 387 | 6.92% |
| Non-Taxable | -0- | -0- | N/A | | | N/A |
| Total Loans, Including Fees | 50,555 | 3,772 | 9.95% | 40,641 | 2,976 | 9.76% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Interest Earning Assets | 66,704 | 4,514 | 9.02% | 50,224 | 3,452 | 9.16% |
| Cash and Due From Banks | 2,484 | | | 2,311 | | |
| All Other Assets | 3,731 | | | 3,385 | | |
| Loan Loss Reserve/ Unearned Fees | (1,412) | | | (1,243) | | |
| TOTAL ASSETS | $71,507 | | | $54,677 | | |
| Liabilities and Stockholders Equity: | | | | | | |
| Interest Bearing Deposits: | | | | | | |
| Time Deposits | $41,641 | $1,834 | 5.87% | $29,436 | $1,249 | 5.66% |
| Other | 14,413 | 344 | 3.18% | 12,003 | 304 | 3.38% |
| FHLB Advances | 47 | 3 | 8.51% | 48 | 3 | 8.33% |
| Federal Funds Purchased | -0- | -0- | N/A | 104 | 5 | 6.41% |
| Total Interest-Bearing Liabilities | 56,101 | 2,181 | 5.18% | 41,591 | 1,561 | 5.00% |
| Non-Interest Bearing Deposits | 9,149 | | | 7,457 | | |
| Total Cost of Funds | | | 4.46% | | | 4.24% |
| Net Interest Income | | 2,333 | | | 1,891 | |
| All Other Liabilities | 501 | | | 420 | | |
| Stockholders Equity | 5,852 | | | 5,203 | | |
| Unrealized Gain/Loss on Securities | (96) | | | (84) | | |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | $71,507 | | | $54,677 | | |
| Net Interest Yield | | | 3.84% | | | 4.16% |
| Net Interest Margin | | | 4.66% | | | 5.02% |

Table 7 - Interest Rate Sensitivity

| (In Thousands) | September 30, 1996 | | | | |
|---|---|---|---|---|---|
| | Less Than 1 Year | One Year Through 5 Years | Greater Than 5 Years | Non-Interest Bearing | Total |
| Asset: | | | | | |
| Federal Funds Sold | $ 1,700 | | | | $ 1,700 |
| Investments | 981 | $ 5,443 | $ 5,152 | | 11,576 |
| Loans - Fixed Rate | 11,831 | 26,779 | 69 | | 38,679 |
| Floating Rate | 17,407 | 70 | | | 17,477 |
| Non-Interest Earning Assets and Unearned Assets/Loan Loss Reserve | | | | 6,063 | 6,063 |
| | 31,919 | 32,292 | 5,221 | 6,063 | 75,495 |

| | | | | | |
|---|---|---|---|---|---|
| Liabilities and Stockholders Equity: | | | | | |
| Interest-Bearing Deposits | 50,629 | 7,978 | -0- | | 58,607 |
| Non-Interest Bearing Deposits | | | | 10,445 | 10,445 |
| FHLB Advances | | | 46 | | 46 |
| Noninterest Bearing Liabilities and Stockholders Equity | | | | 6,397 | 6,397 |
| Total | 50,629 | 7,978 | 46 | 16,842 | 75,495 |
| Interest Rate Sensitivity Gap | (18,710) | 24,314 | 5,175 | (10,779) | 0 |
| Cumulative Interest Rate Sensitivity Gap | $(18,710) | $ 5,604 | $10,779 | $ -0- | $ -0- |

OTHER INCOME

Total other income was $307,000 for the nine month period ended September 30, 1996 as compared to $269,000 for the same period in 1995, an increase of $38,000. Other income is comprised primarily of customer service fees and other items. Contributing to the increase in other income was a modest growth of $42,000 in checking service fees and NSF charges resulting primarily from an increase in the number of checking accounts.

OPERATING EXPENSES

Total operating expenses were $1,612,000 annualized 3.01% of average total assets, for the nine month period ended September 30, 1996 as compared to $1,403,000, or 3.42%, for the same period in 1995. Both the salaries and employee benefits and occupancy and equipment categories of expenses increased when comparing the two periods as a result of the addition of a new branch in Farragut, Tennessee during the second quarter of 1995. Deposit insurance expense decreased approximately $45,000 when comparing the two periods due to the reduction of Federal Deposit Insurance Corporation (FDIC) premiums.

INCOME TAXES

The Bank recognizes income taxes under the asset and liability method established in Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. The Bank's deferred tax asset is reviewed quarterly and adjustments to such asset are recognized as deferred income tax expense or benefit based on management's judgment relating to the realizability of such asset.

During the nine month period ending September 30, 1996, the Bank recorded $327,000 in tax expense which resulted in an approximate effective rate of

39%. Comparably, in 1995, the Bank recorded $252,000 in tax expense, resulting in an approximate effective rate of 38%.

BRANCH ACTIVITY

During the third quarter ended September 30, 1996 the Bank opened a loan production office in Oak Ridge, Tennessee. Oak Ridge is in Anderson county which is an adjacent county to Loudon county, where the main office is located. Management expects loan fees and interest to increase as a result of the new office. Also during the third quarter, the Bank completed the renovation and expansion of it's Loudon branch which should better serve that community.

FIRST CENTRAL BANCSHARES, INC. AND SUBSIDIARY

PART 1 - OTHER INFORMATION

Item 1. Legal Proceedings
None.
Item 2. Changes in Securities
None.
Item 3. Defaults Upon Senior Securities
None.
Item 4. Submission of Matters to a Vote of Security Holders
None.
Item 5. Other Information
None.
Item 6. Exhibits and Reports on Form 8-K
(a) Exhibits 27 - Financial Data Schedule.

Exhibit 27 - Financial Data Schedule

9-30-96
Amount (In Thousands)

| | |
|---|---|
| Cash | $3,708 |
| Interest-Bearing Deposits | -0- |
| Federal Funds Sold | 1,700 |
| Trading Assets | -0- |
| Investments AFS | 11,576 |
| Investments HTM | -0- |
| Investments-Market | -0- |
| Loans, Net of Unearned Fees and Interest | 55,118 |
| Allowance for Losses | 551 |
| Total Assets | 75,484 |
| Deposits | 69,055 |
| Short-Term Borrowings | -0- |

| | |
|---|---|
| Other Liabilities | 462 |
| Long-Term Debt | -0- |
| Preferred Stock-Mandatory | -0- |
| Preferred-Non Mandatory | -0- |
| Common Stock | 2,334 |
| Other Stockholders Equity | 3,427 |
| Total Liab.-Stockh. Equity | 75,495 |
| Interest on Loans | 3,772 |
| Interest on Investments | 543 |
| Other Interest Income | 199 |
| Total interest Income | 4,514 |
| Interest on Deposits | 2,178 |
| Total Interest Expense | 2,181 |
| Net Interest Income | 2,333 |
| Provision-Loan Losses | 193 |
| Securities-Gain/Loss | -0- |
| Other Expenses | 1,615 |
| Income Before Tax | 832 |
| Income Before Extraordinary | 508 |
| Extraordinary Less Tax | -0- |

Exhibit 27 - Financial Data Schedule (Continued)

| | |
|---|---|
| Cumul. Change Acct. Principal | -0- |
| Net Income | 508 |
| Earnings Per Share-P | 1.10 |
| Earnings Per Share-D | 1.10 |
| Net Interest Yield-EA | 3.84 |
| Loans-Non Accrual | -0- |
| Loans Past Due > 90 Days | 53 |
| Troubled Debt Restructuring | -0- |
| Potential Problem Loans | -0- |
| Allowance-Beginning | 434 |
| Total Charge-Offs | 102 |
| Total Recoveries | 26 |
| Allowance End of Period | 551 |
| Loan Loss-Domestic | 424 |
| Loan Loss-Foreign | -0- |
| Loan Loss-Unallocated | 127 |

(b) Reports on Form 8-K, None.

FORM IO-QSB(A)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST CENTRAL BANCSHARES, INC.

Date: _______ By: ____________________________________________________
Ed. F. Bell Chairman, President and Chief Executive Officer

Date: _______ By: ____________________________________________________
Willard D. Price Executive Vice President and Chief Financial Officer

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