

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

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

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**  
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FILER

**SNB BANCSHARES INC**

CIK: **925464** | IRS No.: **582107916** | State of Incorpor.: **GA** | Fiscal Year End: **1231**  
Type: **10QSB** | Act: **34** | File No.: **033-80076** | Film No.: **96663634**  
SIC: **6035** Savings institution, federally chartered

Mailing Address  
700 WALNUT ST  
PO BOX 4748  
MACON GA 31208-4748

Business Address  
700 WALNUT ST  
P O BOX 4748  
MACON GA 31208-4748  
9124776030

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

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

For the Quarterly Period Ended September 30, 1996  
-----

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_  
-----

Commission File Number 33-80076  
-----

SNB BANCSHARES, INC.  
-----

(Name of Small Business Issuer in its Charter)

GEORGIA  
-----

State or Other Jurisdiction of  
Incorporation or Organization

58-2107916  
-----

(I.R.S. Employer  
Identification No.)

700 WALNUT STREET, MACON, GEORGIA 31208  
-----  
(Address of Principal Executive Offices) (Zip Code)

Issuer's Telephone Number (912) 477-6030  
-----

SAME AS ABOVE  
-----

(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 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.

X Yes No  
-----

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be  
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of  
securities under a plan confirmed by a court. Yes No  
-----

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of  
common equity, as of the latest practicable date:

1,362,800 Shares of \$1.00 par value common stock as of September 30, 1996  
-----

Transitional Small Business Disclosure Format (Check One):      Yes      No  
    -----      -----

SNB BANCSHARES, INC. AND SUBSIDIARY

INDEX

	Page Number -----
PART I      Financial Information	
Condensed Consolidated Balance Sheet	1
Condensed Consolidated Statements of Income	2
Condensed Consolidated Statements of Cash Flows	4
Notes to Condensed Consolidated Financial Statements	5
Management's Discussion and Analysis of Financial Condition and Results of Operations	11
PART II      Other Information	
ITEM 2 Changes in Securities	15
ITEM 6 Exhibits and Reports on Form 8-K	15

PART I, ITEM 1  
 FINANCIAL INFORMATION

SNB BANCSHARES, INC. AND SUBSIDIARY  
 CONDENSED CONSOLIDATED BALANCE SHEET  
 SEPTEMBER 30, 1996  
 (UNAUDITED)

<TABLE>  
 <CAPTION>

<S>	<C>
ASSETS	
Cash and Due from Banks	\$ 6,960,680
Federal Funds Sold	-
Investments Securities	30,168,325
Loans	78,292,818
Bank Premises and Equipment	2,724,631
Other Assets	1,737,279
Total Assets	\$119,883,733 =====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Deposits	\$102,363,029
Borrowed Money	5,284,449
Other Liabilities	1,244,466
	108,891,944

Stockholders' Equity	
Common Stock, Par Value \$1 Per Share; Authorized 5,000,000 Shares, Issued 1,362,800 Shares	1,362,800
Surplus	6,168,700
Retained Earnings	3,540,869
Unrealized Loss on Securities Available for Sale, Net of Tax Effect	(80,580)
	-----
	10,991,789
	-----
Total Liabilities and Stockholders' Equity	\$119,883,733
	=====

</TABLE>

The accompanying notes are an integral part of this condensed consolidated balance sheet.

- 1 -

PART I, ITEM 1 (CONTINUED)  
FINANCIAL INFORMATION

SNB BANCSHARES, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED SEPTEMBER 30  
(UNAUDITED)

<TABLE>  
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Interest Income	\$2,646,781	\$2,116,450
Interest Expense	1,146,442	1,024,232
	-----	-----
Net Interest Income	1,500,339	1,092,218
Provision for Loan Losses	120,000	12,286
	-----	-----
Net Interest Income after Provision for Loan Losses	1,380,339	1,079,932
Noninterest Income	307,877	219,746
Noninterest Expense	1,051,449	766,982
	-----	-----
Income before Income Taxes	636,767	532,696
Income Taxes	185,221	152,541
	-----	-----
Net Income	\$ 451,546	\$ 380,155
	=====	=====
Earnings Per Common Share and Common Equivalent Share	\$ .27	\$ .26
	=====	=====
Earnings Per Common Share Assuming Full Dilution	\$ .27	\$ .26
	=====	=====

</TABLE>

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

PART I, ITEM 1 (CONTINUED)  
FINANCIAL INFORMATION

SNB BANCSHARES, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30  
(UNAUDITED)

<TABLE>  
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Interest Income	\$7,511,313	\$5,763,646
Interest Expense	3,434,262	2,591,798
	-----	-----
Net Interest Income	4,077,051	3,171,848
Provision for Loan Losses	227,000	66,857
	-----	-----
Net Interest Income after Provision for Loan Losses	3,850,051	3,104,991
Noninterest Income	821,779	608,647
Noninterest Expense	3,070,921	2,284,961
	-----	-----
Income before Income Taxes	1,600,909	1,428,677
Income Taxes	455,309	407,295
	-----	-----
Net Income	\$1,145,600	\$1,021,382
	=====	=====
Earnings Per Common Share and Common Equivalent Share	\$ .74	\$ .74
	=====	=====
Earnings Per Common Share Assuming Full Dilution	\$ .72	\$ .73
	=====	=====

</TABLE>

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

PART I, ITEM 1 (CONTINUED)  
FINANCIAL INFORMATION

SNB BANCSHARES, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30  
(UNAUDITED)

<TABLE>  
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
CASH PROVIDED BY OPERATIONS	\$ 1,390,928	\$ 1,126,183
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (Purchase) of Investment Securities	4,103,566	(10,555,022)
Net Loans Made to Customers	(15,447,901)	(8,371,613)
Purchase of Premises and Equipment	(483,563)	(514,502)
Cash from Sale of OREO	234,849	86,695
	-----	-----
	(11,593,049)	(19,354,442)

	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Demand, Interest-Bearing Demand and Savings Deposits	14,763,514	2,400,673
Net Increase in Time Certificates	(5,368,991)	19,570,542
Proceeds from Issuance (Repayment) of Demand Note to the U.S. Treasury	(207,990)	196,293
Principal Payments on Capital Lease	-	(6,144)
Federal Funds Purchased	880,000	-
Proceeds from Issuance (Repayment) of Notes Payable to Federal Home Loan Bank	(61,800)	1,418,700
Payment of Dividends	(224,862)	(180,000)
Issuance of Capital Stock	1,750,100	-
	-----	-----
	11,529,971	23,400,064
	-----	-----
Net Increase in Cash and Cash Equivalents	1,327,850	5,171,805
Cash and Cash Equivalents, Beginning	5,632,830	4,943,349
	-----	-----
Cash and Cash Equivalents, Ending	\$ 6,960,680	\$ 10,115,154
	=====	=====

</TABLE>

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

- 4 -

PART I, ITEM 1 (CONTINUED)  
FINANCIAL INFORMATION

SNB BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(1) BASIS OF PRESENTATION

The consolidated financial statements include SNB Bancshares, Inc. and its wholly-owned subsidiary, Security National Bank (the Bank), located in Macon, Georgia. All intercompany accounts have been eliminated in consolidation.

The financial information included herein is unaudited; however, such information reflects all adjustments which are, in the opinion of management, necessary to fairly state the financial position and results of operations for the interim periods presented.

(2) LOANS

Loans as of September 30, 1996 are comprised of the following:

Commercial	\$13,489,565
Real Estate-Construction	2,458,804
Real Estate-Other	55,993,620
Loans to Individuals for Personal Expenditures	7,959,220
	-----
	79,901,209
Allowance for Loan Losses	(1,435,139)
Unearned Interest and Fees	(173,252)
	-----
	\$78,292,818
	=====

Nonperforming Assets

The following table presents the Company's nonperforming assets as of September 30, 1996:

	(\$ IN THOUSANDS)
Impaired and Other Nonaccrual Loans	\$263
Loans Past Due 90 Days or More and Still Accruing Interest	31
Restructured Loans not Included in the Above	-
	----
TOTAL NONPERFORMING LOANS	294
Other Real Estate Owned	319
	----
TOTAL NONPERFORMING ASSETS	\$613
	====

- 5 -

PART I, ITEM 1 (CONTINUED)  
FINANCIAL INFORMATION

(2) LOANS (CONTINUED)

Loans are generally reported at principal amount less unearned interest and fees. On January 1, 1995, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 114, Accounting by Creditors for Impairment of a Loan and SFAS No. 118, Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures. Impaired loans are loans for which principal and interest are unlikely to be collected in accordance with the original loan terms and, generally, represent loans delinquent in excess of 90 days which have been placed on nonaccrual status and for which collateral values are less than outstanding principal and interest. Small balance, homogeneous loans are excluded from impaired loans. Generally, interest payments received on impaired loans are applied to principal. Upon receipt of all loan principal, additional interest payments are recognized as interest income on the cash basis. The adoption of SFAS 114 and 118 did not result in significant changes to the allowance for loan losses and, accordingly, did not have a material impact on the financial statements.

Other nonaccrual loans are loans for which payments of principal and interest are considered doubtful of collection under original terms but collateral values equal or exceed outstanding principal and interest.

(3) EARNINGS PER SHARE

Earnings per common share and common equivalent share and fully diluted earnings per share for the three-month period ended September 30, 1996 were computed assuming all 419,760 outstanding stock options were exercised as of the beginning of calendar year 1996. The exercise of options was included in the earnings per share computation using the treasury stock method and assuming an average market price for SNB Bancshares, Inc. stock of \$15.60 and a closing market price of \$16.00 for the third quarter of 1996. An average market price of \$10.81 and a closing market price of \$16.00 were assumed for SNB Bancshares, Inc. stock in the earnings per share computations for the nine-month period ended September 30, 1996. Consequently, 282,324 shares of stock from the exercise were considered to be common stock equivalents for the three-month period ended September 30, 1996, and 221,289 shares of stock were considered to be common stock equivalents for the nine-month period ended September 30, 1996. In the computation of fully diluted earnings per share, 285,760 shares of stock from the exercise were considered to be common stock equivalents for the three-month period ended September 30, 1996 and 276,635 shares of stock were considered to be common stock equivalents for the nine-month period ended September 30, 1996.

- 6 -

PART I, ITEM 1 (CONTINUED)  
 FINANCIAL INFORMATION

(4) ALLOWANCE FOR LOAN LOSSES

The allowance method is used in providing for losses on loans. Accordingly, all loan losses decrease the allowance and all recoveries increase it. The provision for loan losses is based on factors which, in management's judgment, deserve current recognition in estimating possible loan losses. Such factors considered by management include growth and composition of the loan portfolio, economic conditions and the relationship of the allowance for loan losses to outstanding loans.

An allowance for loan losses is maintained for all impaired loans. Provisions are made for impaired loans upon changes in expected future cash flows or estimated net realizable value of collateral. When determination is made that impaired loans are wholly or partially uncollectible, the uncollectible portion is charged off.

The following table presents the Company's loan loss experience on all loans for the three months ending September 30:

<TABLE>  
 <CAPTION>

	(\$ in Thousands)	
	1996	1995
<S>	<C>	<C>
Allowance for Loan Losses, July 1	\$1,274	\$1,090
Charge-Offs		
Commercial, Financial and Agricultural	-	-
Real Estate - Construction	-	-
Real Estate - Mortgage	-	-
Consumer	22	8
	22	8
Recoveries		
Commercial, Financial and Agricultural	50	-
Real Estate - Construction	-	-
Real Estate - Mortgage	4	5
Consumer	9	6
	63	11
Net Recoveries	41	3
Provision for Loan Losses	120	12
Allowance for Loan Losses, September 30	\$1,435	\$1,105
Ratio of Net Recoveries to Average Loans	0.05%	0.00%

</TABLE>



(4) ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following table presents the Company's loan loss experience on all loans for the nine months ending September 30:

<TABLE>  
<CAPTION>

	(\$ in Thousands)	
	1996	1995
<S>	<C>	<C>
ALLOWANCE FOR LOAN LOSSES, JANUARY 1	\$1,128	\$1,020
Charge-Offs		
Commercial, Financial and Agricultural	10	-
Real Estate - Construction	-	-
Real Estate - Mortgage	-	-
Consumer	53	16
	63	16
Recoveries		
Commercial, Financial and Agricultural	94	9
Real Estate - Construction	-	1
Real Estate - Mortgage	30	7
Consumer	19	17
	143	34
Net Recoveries	80	18
Provision for Loan Losses	227	67
Allowance for Loan Losses, September 30	\$1,435	\$1,105
Ratio of Net Recoveries to Average Loans	0.10%	0.03%

</TABLE>

(5) INVESTMENT SECURITIES

The Bank adopted Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities effective January 1, 1994. In accordance with the provisions of SFAS 115, the Bank elected to classify securities individually as either available for sale or held to maturity. Securities classified as held to maturity are recorded at amortized cost. Those classified as available for sale are adjusted to market value through a tax-effected increase or reduction in stockholders' equity.

- 8 -

PART I, ITEM 1 (CONTINUED)  
FINANCIAL INFORMATION

(5) INVESTMENT SECURITIES (CONTINUED)

Investment securities as of September 30, 1996 are summarized as follows:

<TABLE>  
<CAPTION>

SECURITIES AVAILABLE FOR SALE	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
U.S. Treasuries	\$ 4,039,697	\$ 15,537	\$ (9,812)	\$ 4,045,422
U.S. Government Agencies				
Mortgage-Backed	484,676	15,019	-	499,695
Other	12,679,379	20,964	(248,917)	12,451,426
State, County and Municipal	4,581,984	94,506	(9,388)	4,667,102
Other	675,400			675,400
	-----	-----	-----	-----
	\$22,461,136	\$146,026	\$ (268,117)	\$22,339,045
	=====	=====	=====	=====
SECURITIES HELD TO MATURITY				
U.S. Government Agencies				
Mortgaged-Backed	\$ 109,196		\$ (186)	\$ 109,010
Other	1,999,115	\$ 445	(340)	1,999,220
State, County and Municipal	5,720,969	84,825	(18,910)	5,786,884
	-----	-----	-----	-----
	\$7,829,280	\$ 85,270	\$ (19,436)	\$7,895,114
	=====	=====	=====	=====

</TABLE>

(6) NONCASH INVESTING ACTIVITIES

Noncash investing activities for the nine months ended September 30 are as follows:

	1996	1995
	-----	-----
Acquisition of Real Estate through Loan Foreclosure	\$200,591	\$ -
	=====	=====

(7) STOCKHOLDERS' EQUITY

During the first quarter of 1996, the Company issued 162,800 shares of additional common stock in a private placement to new directors and executive officers joining the Company. These new shares were issued at current market value resulting in an increase in common stock of \$162,800 and an increase in paid-in capital of \$1,668,700.

During the second quarter of 1996, the board of directors of the Company approved a 100 percent stock split to be effected on June 1, 1996 in the form of a dividend to stockholders. Share, per share data and stockholders' equity account balances for all periods presented in the accompanying condensed consolidated financial statements and related notes have been restated to reflect the additional shares outstanding resulting from the stock split.

- 9 -

PART I, ITEM 1 (CONTINUED)  
FINANCIAL INFORMATION

(7) STOCKHOLDERS' EQUITY (CONTINUED)

In addition to the common stock split, during the second quarter of 1996, the Company approved an Incentive Stock Option Plan authorizing the issuance of stock options to purchase up to 65,000 shares of its \$1.00 par value common stock to certain executive officers and key employees. Options to purchase 60,000 shares have been issued pursuant to the plan. The options vest at the rate of 20 percent per year over the next five years. In accordance with Financial Accounting Standards (SFAS) No. 123, Accounting for Stock Based Compensation, measurement of compensation cost and financial statement disclosures related to the issuance of the incentive stock options by the Company will be required in 1997, the year the options begin to vest and become exercisable.

During the third quarter of 1996, SNB announced an offering of a maximum of 272,560 shares of its \$1.00 par common stock at a purchase of \$13.50 per share. The shares are offered initially as a rights offering to shareholders of record of SNB pursuant to warrants issued by the Company to shareholders of record as of September 20, 1996. Management anticipates the stock offering to generate an additional \$3,600,000 in new equity capital. Form SB-2 Registration Statement filed with the Securities and Exchange Commission is herein incorporated by reference (Exhibit 19).

The Company is required to maintain minimum amounts of capital to total "risk weighted" assets, as defined by the banking regulations. As of September 30, 1996, the bank is required to have minimum Tier 1 and Total Capital Ratios of 4 percent and 8 percent, respectively, and a leverage ratio (Tier 1 Capital to total assets) of at least 4 percent. The Company's actual ratios as of September 30, 1996 are as follows:

<TABLE>

<CAPTION>

	Actual -----	Minimum -----
<S>	<C>	<C>
Tier 1 Capital Ratio	12.77%	4.00%
Total Capital Ratio	14.03%	8.00%
Leverage Ratio	9.82%	4.00%

</TABLE>

- 10 -

PART I, ITEM 2  
FINANCIAL INFORMATION

SNB BANCSHARES, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

The following narrative presents management's discussion and analysis of SNB Bancshares, Inc.'s (SNB's) financial condition and results of operations as of and for the nine-month periods ended September 30, 1996 and 1995 and for the years ended December 31, 1995 and 1994. The historical financial statements of SNB are set forth elsewhere herein. This discussion should be read in conjunction with those financial statements and the other financial information included in this prospectus. As SNB has no subsidiaries other than the Bank and no activities other than those of the Bank, the following discussion refers to the financial condition and operations of the Bank.

Nine Months Ended September 30, 1996 Compared to  
Nine Months Ended September 30, 1995

FINANCIAL CONDITION

Financial condition of a commercial bank should be examined to a large extent in terms of trends in sources and uses of funds. SNB's primary use of funds comes from loan demand. During the nine months ended September 30, 1996, net loans made to customers increased \$15,447,901 or 31.8 percent. Total assets as of September 30, 1996 were \$119,883,733 as compared to \$107,566,158 as of December 31, 1995. The increase in total assets (16.6 percent) and the significant loan growth were funded primarily through increased deposits. Deposit growth resulted from increased media advertising and heightened community awareness of the personal banking services provided by SNB. Demand, interest-bearing demand and savings deposits increased by \$14,763,514 for the nine months ended September 30, 1996. Time deposits decreased by \$5,368,991 for the same period.

CAPITAL RESOURCES

The significant growth of SNB for the last two years and, particularly, the last nine months has caused management to become increasingly aware of the company's capital needs. Relevant capital balances and ratios for the prior six quarters

are as follows:

<TABLE>  
<CAPTION>

	Quarters					
	3rd 1996	2nd 1996	1st 1996	4th 1995	3rd 1995	2nd 1995
	(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Stockholders' Equity	\$10,992	\$10,541	\$10,374	\$8,426	\$7,942	\$7,584
Stockholders' Equity/Assets	9.17%	8.70%	9.13%	7.83%	7.73%	8.32%
Book Value Per Share	\$8.07	\$7.74	\$7.61	\$7.02	\$6.62	\$6.32
Shares Outstanding	1,362,800	1,362,800	1,362,800	1,200,000	1,200,000	1,200,000
Cash Dividends Per Share	\$.055	\$.055	\$.055	\$.05	\$.05	\$.05

</TABLE>

- 11 -

PART I, ITEM 2 (CONTINUED)  
FINANCIAL INFORMATION

During the first quarter of 1996, 81,400 shares of additional common stock were issued resulting in contributed capital of \$1,750,100. Contributed capital along with net income of \$329,488 in the first quarter assisted in raising book value from \$7.02 per share as of December 31, 1995 to \$7.61 per share at the end of the first quarter. The equity to assets ratio at that time was 9.13 percent. During the quarter ended September 30, 1996, net income of \$451,546 less cash dividends paid of \$74,954 resulted in book value of \$8.07 per share and stockholder equity to assets ratio of 8.70 percent. All share and per share data have been adjusted to reflect a 100 percent stock split effected in the form of a dividend on June 1, 1996 and a 20 percent stock split effected in the form of a dividend on March 20, 1995. Management anticipates future growth in loans and assets will be considerable and may require additional contributed capital.

During the third quarter of 1996, SNB announced an offering of a maximum of 272,560 shares of its \$1.00 par common stock at a purchase price of \$13.50 per share. The shares are offered initially as a rights offering to shareholders of record of SNB pursuant to warrants issued by the Company to shareholders of record as of September 20, 1996. Management anticipates the stock offering to generate an additional \$3,600,000 in new equity capital. Form SB-2 Registration Statement filed with the Securities and Exchange Commission is herein incorporated by reference (Exhibit 19).

LIQUIDITY

SNB manages its liquidity position to ensure adequate cash flow for deposit withdrawals and credit commitments.

The percentage of net loans to deposits as of September 30, 1996 was 77.9, an increase of almost 9 percentage points over the loan-deposit ratio of 69.3 percent as of December 31, 1995. Cash and due from banks and federal funds sold totaled \$6,960,680 as of September 30, 1996 as compared with \$5,632,830 as of December 31, 1995, representing an increase of 2.4 percent. The Bank has established relationships with its correspondent banks which will enable it to purchase federal funds on a short-term basis when needed. As of September 30, 1996, SNB had \$880,000 in federal funds purchased.

Cash provided by operations during the nine months ended September 30, 1996 was \$1,390,928. Financing activities consisting primarily of net cash inflows from deposits of \$10,722,373 resulted in total cash inflows for the period of \$11,529,971. Cash outflows during the same period totaled \$11,593,049 for sales of investment securities \$4,103,566 and net loans to customers of \$(15,447,901). For the nine-month period, cash and cash equivalents increased overall by

\$1,327,850.

## RESULTS OF OPERATIONS

### Interest Income

Interest income from loans and loan fees were \$6,063,625 for the period ended September 30, 1996, which represents an increase of \$1,423,527 (30.7%) over the same period for 1995. The increase is attributed to a significant increase in the volume of loans. Interest from investment securities totaled \$1,381,167 for the 1996 period of which 27.2% or \$376,100 represents tax-free interest on state, county and municipal obligations. Twenty-eight percent of interest from investment securities in the prior nine months ended September 30, 1995 was tax-free interest.

- 12 -

## PART I, ITEM 2 (CONTINUED) FINANCIAL INFORMATION

### Interest Expense

During the first nine months of 1996, interest expense to the Bank incurred on behalf of depositors totaled \$3,212,685. It was considerably higher than interest expense of the comparable 1995 period which totals \$2,443,847. The increase of \$768,838 (31.5%) results from increased interest-bearing deposits which were \$84,184,837 as of September 30, 1996 versus \$74,902,165 as of September 30, 1995.

### Provision for Loan Losses

The Bank provided \$227,000 for loan losses for the nine months ended September 30, 1996 versus \$66,857 for the same period in 1995. The amount of the provision for loan losses is the result of judgment made by management after giving due consideration to the credit worthiness and size of the loan portfolio. The increase in the 1996 provision for loan losses was based primarily on growth in the loans outstanding.

Management seeks to maintain the allowance for loan losses at a level which will be adequate under current economic conditions. However, management's judgment is based upon a number of assumptions about future events, which are believed to be reasonable, but which may or may not prove valid. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for possible loan losses, that additional increases in the allowance will not be required, or that any particular level of allowance for possible loan losses will be maintained.

As of September 30, 1996, the allowance for loan losses was 1.8 percent of outstanding loans less unearned interest. As of September 30, 1995, the comparable level was also 1.8 percent.

### Noninterest Income and Noninterest Expenses

Noninterest income consists of service charges on deposits, other service charges, commissions and fees, security transactions and other miscellaneous income. Noninterest income of \$821,779 for the nine months ended September 30, 1996 increased by \$208,851 over the comparable period of 1995. Of the total amount, 60.9 percent resulted from service charges on deposits. Service charges on deposits increased significantly due to increased deposit balances.

Salaries and employee benefits of \$1,582,424 through the third quarter of 1996 were higher than \$1,102,850 for the same period in 1995. The increase is representative of manpower requirements necessary to effectively run a growing financial institution. Total noninterest expenses were \$3,070,922 for the nine months ended September 30, 1996 and \$2,289,242 for the same period in 1995.

- 13 -

PART I, ITEM 2 (CONTINUED)  
FINANCIAL INFORMATION

Net Income

Net income for the nine-months ending September 30, 1996 totaled \$1,145,600 as compared to \$1,021,382 for the same period of 1995. Earnings per share were \$.74 for each period reflecting an increase in shares outstanding for the nine months ending September 30, 1996. Return on average assets for the nine months ended September 30, 1996 was 1.34 percent representing a decline of .21 percent from the 1.55 percent earned during the first nine months of 1995. The decline resulted, to a large extent, because deposits grew faster than the funds could be effectively employed in earning assets. Return on average stockholders' equity for the third quarter of 1996 was 16.66 percent as compared to 19.44 percent for the comparable period of 1995. The decline can be attributed to the contribution of \$1,831,500 of capital during the first six months of 1996.

- 14 -

PART II  
OTHER INFORMATION

SNB BANCSHARES, INC.

ITEM 2

CHANGES IN SECURITIES (LIMITATIONS UPON PAYMENT OF DIVIDENDS)

Incorporated herein by reference to Pages 25 and 26 of Company's Definitive Proxy Statement for the 1996 Annual Meeting of Stockholders held May 2, 1996 filed with the Securities and Exchange Commission (File No. 33-80076).

ITEM 6

EXHIBITS AND REPORTS ON FORM 8-K

(a) 4 - Instruments Defining the Rights of Security Holders

- Incorporation herein by reference to Pages 2 and 25 of the Company's Definitive Proxy Statement for the 1996 Annual Meeting of Stockholders held on May 2, 1996 filed with the Securities and Exchange Commission (File No. 33-80076).

19 - Reports Furnished to Security Holders

- Incorporated herein by reference to Form SB-2 Registration Statement filed with the Securities and Exchange Commission (File No. 33-80076).

27 - Financial Data Schedule

(b) REPORTS ON FORM 8-K

No reports on Form 8-K have been filed by the registrant during the quarter ended September 30, 1996.

- 15 -

SIGNATURES

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

SNB BANCSHARES, INC.

/s/ H. Averett Walker

-----  
H. Averett Walker  
President

Date: November 14, 1996  
-----

/s/ Michael T. O'Dillon

-----  
Michael T. O'Dillon  
Senior Vice-President/Treasurer/  
Controller/Chief Financial Officer

Date: November 14, 1996  
-----

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