FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FIRST KNOX BANC CORP

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Type: **10-Q** | Act: **34** | File No.: **000-13161** | Film No.: **96664307**
SIC: **6021** National commercial banks

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

FORM 10-Q

[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 0-13161

First-Knox Banc Corp.
(Exact name of registrant as specified in its charter)

Ohio	31-1121049
(State or other jurisdiction of incorporation or organization)	(IR.S Employer Identification No.)

One South Main Street, Mount Vernon, Ohio 43050
(Address of principal executive offices)
(Zip Code)

(614) 399-5500
(Registrant's telephone number including area code)

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 .....

Number of shares of Common Stock, Par Value $3.125 per share at November 6, 1996

Authorized	6,000,000
Issued	3,755,618
Outstanding	3,755,618

Exhibit Index at Page 19

FIRST-KNOX BANC CORP.

FORM 10-Q

QUARTER ENDED September 30, 1996

Part I - Financial Information

Interim Financial Information required by Rule 10-01 of Regulation S-X and Item 303 of Regulation S-K is included in this Form 10-Q as referenced below:

<TABLE>
<CAPTION>

Part II - Other Information

FIRST-KNOX BANC CORP
Consolidated Balance Sheet
($ Amounts in thousands except per share data)
(Unaudited)

	September 30, 1996	December 31, 1995
ASSETS		
Cash and non-interest bearing deposits with banks	$ 16,038	$ 17,012
Federal funds sold	--	3,400
Total cash and cash equivalents	16,038	20,412
Investment securities available for sale, at fair value (Note 2)	121,713	94,694
Mortgage-backed securities available for sale, at fair value (Note 2)	55,830	37,294
Total securities	177,543	131,988
Loans & lease financing (Note 3)	352,071	330,641
Allowance for loans and lease losses (Note 4)	(4,438)	(4,166)
Net loans and leases	347,633	326,475
Premises and equipment, net	10,712	10,993
Accrued interest receivable and other assets	8,737	7,031
TOTAL ASSETS	$ 560,663	$ 496,899
LIABILITIES		
Deposits		
Non-interest bearing demand	$ 51,804	$ 54,706
Interest-bearing demand	44,623	39,882
Savings	96,967	99,133
Time	232,764	210,346
Total deposits	426,158	404,067
Short-term borrowings	19,848	7,986

Long-term debt (Note 5)	62,643	33,415
Accrued interest payable and other liabilities	3,975	4,772
TOTAL LIABILITIES	512,624	450,240
SHAREHOLDERS' EQUITY (Note 1)		
Common Stock, par value $3.125 per share; 6,000,000 shares authorized; 3,747,713 issued and outstanding in 1996 and 3,650,225 shares issued in 1995	11,712	11,407
Paid-in-capital	25,849	24,042
Retained earnings	10,411	11,187
Net unrealized holding gains on securities available for sale	67	1,912
Common stock in treasury (89,965 shares in 1995)	--	(1,889)
TOTAL SHAREHOLDERS' EQUITY	48,039	46,659
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 560,663	$ 496,899

</TABLE>

The accompanying notes are an integral part of the financial statements

FIRST-KNOX BANC CORP.
Consolidated Statement of Income (Unaudited)
($ Amounts in thousands except per share data)

<TABLE>
<CAPTION>

	Three Months Ending September 30, 1996	Three Months Ending September 30, 1995	Nine Months Ending September 30, 1996	Nine Months Ending September 30, 1995
<S>	<C>	<C>	<C>	<C>
Interest income:				
Loans and leases, including fees	$ 7,795	$ 7,364	$ 22,856	$ 21,240
Investment and mortgage-backed securities				
Taxable	1,809	1,337	4,452	3,864
Non-taxable	731	698	2,158	2,098
Federal funds sold	104	66	304	153
TOTAL INTEREST INCOME	10,439	9,465	29,770	27,355
Interest expense:				
Deposits	4,166	3,954	12,172	11,087
Short-term borrowings	93	94	271	294
Long-term debt	931	493	1,894	1,493
TOTAL INTEREST EXPENSE	5,190	4,541	14,337	12,874
NET INTEREST INCOME	5,249	4,924	15,433	14,481
Provision for loan & lease losses (Note 4)	211	166	543	402
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	5,038	4,758	14,890	14,079
Other income:				
Income from fiduciary activities	195	174	570	498
Service charges, commissions and fees ...	598	548	1,787	1,742
Loan sale gains, net	--	27	--	27
Securities gains (losses), net	(11)	--	(11)	(20)
Other	15	27	40	76
TOTAL OTHER INCOME	797	776	2,386	2,323
Other expense:				
Salaries & employee benefits	1,822	1,882	5,190	5,379
Occupancy and equipment	585	530	1,796	1,572
FDIC Insurance	1	(12)	3	414
Other	1,357	1,223	4,156	3,794
TOTAL OTHER EXPENSE	3,765	3,623	11,145	11,159
Income before federal income taxes	2,070	1,911	6,131	5,243
Federal income tax expense	466	423	1,415	1,097
NET INCOME	$ 1,604	$ 1,488	$ 4,716	$ 4,146

		===========	===========	===========	===========
Earnings per common share (Note 1):	Primary	$ 0.42	$ 0.39	$ 1.24	$ 1.08
	Fully diluted	$ 0.42	$ 0.39	$ 1.24	$ 1.08
		===========	===========	===========	===========
Weighted average common shares outstanding (Note 1):	Primary	3,797,557	3,775,761	3,794,909	3,827,272
	Fully diluted	3,798,265	3,783,744	3,795,591	3,831,324

</TABLE>

The accompanying notes are an integral part of the financial statements

FIRST-KNOX BANC CORP.
Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
($ Amounts in thousands except per share data)

<TABLE>
<CAPTION>

	Three Months Ending September 30, 1996	Three Months Ending September 30, 1995	Nine Months Ending September 30, 1996	Nine Months Ending September 30, 1995
<S>	<C>	<C>	<C>	<C>
Balance, beginning of period	$46,520	$42,821	$46,659	$40,832
Net income	1,604	1,488	4,716	4,146
Issuance of 2863 and 9,047 shares in 1996 and 5,348 and 8,588 shares in 1995 for stock options exercised	59	60	144	95
Treasury stock purchased - 96,322 common shares				(1,926)
Cash dividends, declared at a per share rate of $.17 and $.436 in 1996 and $.114 and $.324 in 1995	(638)	(426)	(1,635)	(1,217)
Change in net unrealized holding gain (loss) on securities available for sale	494	(21)	(1,845)	1,992
	-------	-------	-------	-------
Balance, end of period	$48,039	$43,922	$48,039	$43,922
	-------	-------	-------	-------

</TABLE>

The accompanying notes are an integral part of the financial statements

FIRST-KNOX BANC CORP.
Condensed Consolidated Statement of Cash Flows (Unaudited)
($ Amounts in thousands)

<TABLE>
<CAPTION>

	Nine Months Ending September 30, 1996	Nine Months Ending September 30, 1995
<S>	<C>	<C>
Net cash provided by operating activities	$ 4,346	$ 4,222
Cash Flows from Investing Activities:		
Purchases of investment securities held to maturity		(1,279)
Proceeds from calls, payments and maturities of investment securities held to maturity		1,533
Purchases of investment and mortgage-backed securities available for sale	(72,290)	(24,724)
Proceeds from calls, payments and maturities of investment and mortgage-backed securities available for sale	13,970	10,304
Proceeds from sales of investment and mortgage-backed		

securities available for sale	10,032	13,462
Net increase in loans and leases	(21,701)	(21,964)
Proceeds from sale of loans		1,578
Expenditures for premises and equipment	(525)	(1,520)
Net cash provided by (applied to) investing activities	(70,514)	(22,610)
Cash Flows from Financing Activities:		
Net increase in deposit accounts	22,091	24,178
Net increase in short-term borrowings	11,862	(4,656)
Proceeds from long-term debt	30,000	
Payments on long-term debt	(772)	(1,294)
Cash dividends paid	(1,531)	(1,246)
Issuance of common stock	144	95
Purchase of treasury shares		(1,926)
Net cash provided by financing activities	61,794	15,151
Net increase (decrease) in cash and cash equivalents	(4,374)	(3,237)
Cash and cash equivalents at beginning of period	20,412	18,110
Cash and cash equivalents at end of period	16,038	14,873
Supplemental cash flow information:		
Interest paid	$ 14,543	$ 12,317
Income taxes paid	$ 1,460	$ 1,052

</TABLE>

The accompanying notes are an integral part of the financial statements

FIRST-KNOX BANC CORP.

Notes to the Consolidated Financial Statements
(Unaudited)

Note 1 - SUMMARY OF ACCOUNTING POLICIES:

The consolidated financial statements include the accounts of the First-Knox Banc Corp. (the Corporation), and its wholly-owned subsidiaries; The First-Knox National Bank (First-Knox), and The Farmers and Savings Bank (Farmers). All significant intercompany transactions have been eliminated.

These interim financial statements are prepared without audit and reflect all adjustments of a normal and recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial position of First-Knox Banc Corp. at September 30, 1996 and its results of operations and cash flows for the periods presented. The accompanying consolidated financial statements do not purport to contain all the necessary financial disclosures required by generally accepted accounting principles that might otherwise be necessary in the circumstances. Accordingly, these financial statements should be read in conjunction with the 1995 consolidated financial statements and notes thereto of First-Knox Banc Corp. included in its Annual Report on Form 10-K for the year ended December 31, 1995.

The provision for income taxes is based upon the effective tax rate expected to be applicable for the entire year.

Primary earnings per share is computed based on the weighted average shares outstanding during the year plus common equivalent shares arising from dilutive stock options, using the treasury stock method. Fully diluted earnings per share reflects additional dilution related to stock options due to the use of market price at the end of the period when higher than average price for the period. All share and per share data has been adjusted for a 5% stock dividend distributed in September 1996.

During the first nine months of 1996, options on 35,550 shares were granted. During the first nine months of 1996 options for 9,441 common shares and 1,048 stock appreciation rights were exercised. There was no material compensation recognized during the first nine months of 1996 or the first nine months of 1995 related to stock appreciation rights. At September 30, 1996, exercisable options and stock appreciation rights were 124,252 and 19,613, respectively. At September 30, 1996, there were outstanding options for 209,327 common shares and 44,807 outstanding stock appreciation rights.

The Corporation, through its subsidiary banks, grants residential, consumer, and commercial loans to customers in the central Ohio counties of Knox, Morrow, Holmes, Ashland and Richland. In addition the Corporation is in the business of commercial and consumer leasing. Commercial loans, residential real estate loans, consumer loans and leases were 30.8%, 47.3%, 21.3%, and 0.6% of total loans and leases respectively, at September 30, 1996.

Note 1 - SUMMARY OF ACCOUNTING POLICIES (Continued):

On January 1, 1996, the Corporation adopted SFAS 122 "Accounting for Mortgage Servicing Rights." This pronouncement requires companies to recognize, as separate assets, rights to service mortgage loans for others, however those loans are acquired. A company 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 mortgage servicing rights and to loans (without the mortgage servicing rights) based on their relative fair values. Mortgage servicing rights recorded as a separate asset will be amortized in proportion to, and over the period, of estimated net servicing income. The impact of adopting this pronouncement in 1996 was not material.

On January 1, 1996, the Corporation adopted SFAS 123 "Accounting for Stock-Based Compensation." SFAS encourages but does not require entities to use a fair value based method to account for stock-based compensation plans such as the Corporation's stock options plans. If the fair value accounting encouraged by SFAS No. 123 is not adopted, entities must disclose the pro forma effect on net income and earnings per share had the accounting been adopted. Fair value of a stock option is to be estimated using an option-pricing model that considers exercise price, expected life of the option, current price of the stock, expected price volatility, expected dividends on the stock, and the risk-free interest rate. The Corporation elected not to expense the fair value of options granted and will disclose the pro forma effect on net income and earnings per share in the annual financial statements. The impact of adopting this pronouncement in 1996 was not material.

The Corporation in its normal course of business, makes commitments to extend credit which are not reflected in the financial statements. At September 30, 1996, unused credit lines amounted to approximately $51,886,000 and commitments under outstanding letters of credit amounted to approximately $498,000. Since many commitments to make loans expire without being used, the amount does not necessarily represent future cash commitments. Collateral obtained related to the commitments is determined using management's credit evaluation of the borrower and may include real estate, vehicles, business assets, deposits, and other items. In management's opinion these commitments represent normal banking transactions, and no material losses are expected to result therefrom.

Residential real estate loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market in the aggregate. Net unrealized losses are recognized in a valuation allowance by charges to income.

Certain items in the 1995 financial statements have been reclassified to correspond with the 1996 presentation.

Note 2 - INVESTMENT SECURITIES AND MORTGAGE-BACKED SECURITIES:

The amortized costs and estimated fair values are as follows at September 30, 1996 and December 31, 1995:

<TABLE>
<CAPTION>

September 30, 1996

INVESTMENT SECURITIES AVAILABLE FOR SALE ($ amounts in thousands):	GROSS AMORTIZED COST	UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities	$30,612	$108	($171)	$30,549
Obligations of states and political subdivisions	57,009	1,050	(809)	$57,250
Obligations of U.S. government corporations and agencies	26,610		(35)	26,575
Other securities	7,012	327		7,339
Total investment securities	121,243	1,485	(1,015)	121,713
Mortgage-backed securities	56,198	231	(599)	55,830
TOTAL	$177,441	$1,716	($1,614)	$177,543

December 31, 1995

INVESTMENT SECURITIES AVAILABLE FOR SALE ($ amounts in thousands):	GROSS AMORTIZED COST	UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury securities				
Obligations of U.S. government corporations and agencies				
U.S. Treasury securities	$27,955	$312	($51)	$28,216
Obligations of states and political subdivisions	53,407	1,867	(77)	55,197
Obligations of U.S. government corporations and agencies	6,932	59		6,991
Other securities	4,041	249		4,290
Total investment securities	92,335	2,487	(128)	94,694
Mortgage-backed securities	36,756	636	(98)	37,294
TOTAL	$129,091	$3,123	($226)	$131,988

</TABLE>

Proceeds from the sales of investment and mortgage-backed securities for the nine months ending September 30, 1996 were $13,970,000 resulting in gross gains of $11,000 and gross losses of $22,000. Proceeds from the sales of investment and mortgage-backed securities for the nine months ending September 30, 1995 were $13,462,000 resulting in gross gains of $67,000 and gross losses of $87,000.

At September 30, 1996, the percentages of the portfolio maturing in various time frames had not changed significantly from December 31, 1995.

Note 3 - LOANS AND LEASE FINANCING:

Loans and leases are comprised of the following ($ amounts in thousands):

<TABLE>
<CAPTION>

September 30, 1996   December 31, 1995

<S> <C> <C>

Residential real estate loans held for sale......		$ 5,020
Residential real estate loans...................	$165,323	147,927
Commercial real estate loans....................	12,317	9,548
Commercial and industrial loans.................	92,283	88,632
Consumer and credit card loans..................	75,498	73,137
Obligations of states and political subdivisions........................	4,364	4,678
Lease financing, net............................	2,286	1,699
	$352,071	$330,641

</TABLE>

Note 4 - ALLOWANCE FOR LOAN AND LEASE LOSSES:

Activity in the allowance for possible loan and lease losses is summarized as follows for the nine months ended September 30. ($ amounts in thousands):

<TABLE>
<CAPTION>
<S> <C> <C>

	1996	1995
Balance, beginning of period....................	$4,166	$3,876
Provision for loan and lease losses.............	543	402
Losses charged to the allowance.................	(408)	(428)
Recoveries......................................	137	198
Balance, end of period.....................	$4,438	$4,048

</TABLE>

Loans and leases over 90 days past due and still accruing interest approximated $1,636,000 at September 30, 1996 and $862,000 at December 31, 1995. Loans on non-accrual status were $377,000 at September 30, 1996 and $197,000 at December 31, 1995. Impaired loans were not material at any date or during any period presented.

Note 5 - LONG-TERM DEBT:

<TABLE>
<CAPTION>

($ amounts in thousands):

<S> <C> <C>

Description	September 30, 1996	December 31, 1995
Fixed rate Federal Home Loan Bank advances with monthly principal and interest payments:		
5.60% Advance due August 1, 2003	$2,246	$2,442
6.35% Advance due August 1, 2013	2,746	2,812
5.95% Advance due March 1, 2004	602	649
5.70% Advance due May 1, 2004	4,889	5,262
5.85% Advance due January 1, 2016	4,910	5,000
Fixed rate Federal Home Loan Bank advances with monthly interest payments:		
5.35% Advance due February 1, 1999	5,000	5,000
5.60% Advance due April 1, 1999	5,000	5,000
5.70% Advance due June 1, 1999	7,000	7,000
6.35% Advance due March 1, 2004	250	250
6.15% Advance due July 21, 1997........................	10,000	
6.60% Advance due July 21, 1999........................	10,000	
6.90% Advance due July 21, 2001........................	10,000	
	$62,643	$33,415

</TABLE>

At September 30, 1996, Federal Home Loan Bank (FHLB) advances are collateralized by all shares of FHLB stock owned by the Corporation (totaling $6,285,200) and by 100% of the Corporation's qualified real estate-backed investments and mortgage loan portfolio (totaling approximately $217,338,000). Based on the carrying amount of FHLB stock owned by the Corporation, total FHLB advances are limited to approximately $73,170,000 at September 30, 1996. Future advances to be received by the Corporation, above this limit, require additional purchases of FHLB stock.

The aggregate minimum future principal payments on long-term debt are $269,000 in 1996, $11,587,000 in 1997, $1,576,000 in 1998, $28,576,000 in 1999, $1,587,000 in 2000 and $19,048,000 thereafter.

Note 6 - SUBSEQUENT EVENT:

On October 28, 1996, the Corporation entered into an Agreement and Plan of Merger ("Agreement") with Park National Corporation ("Park National"), a bank holding company headquartered in Newark, Ohio, whereby First-Knox Banc Corp. will be merged with and into Park National. Under the terms of the Agreement, Park National will exchange 0.5914 shares of Park National common stock for each outstanding share of First-Knox Banc Corp. common stock in a tax free exchange. Park National expects to issue an aggregate of 2,345,000 shares of common stock to complete the merger which will be accounted for as a pooling-of-interests. The exact exchange ratio will be determined pursuant to a formula that is based upon, among other things, the market price of Park National common stock and the number of shares of First-Knox Banc Corp. common stock oustanding or subject to options prior to closing. The transaction is valued at approximately $29.00 per share of First-Knox Banc Corp. common stock, or approximately $114.3 million based on the $48.75 closing price of Park National common stock on October 25, 1996. Closing of the transaction is subject to certain conditions including regulatory approval and the approval of the shareholders of First-Knox Banc Corp. and Park National.

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

The following discussion focuses on the consolidated financial condition of First-Knox Banc Corp. at September 30, 1996, compared to December 31, 1995, and the results of operations for the three and nine months periods ended September 30, 1996, compared to the same period in 1995. The purpose of this discussion is to provide a better understanding of the consolidated financial statements. This discussion should be read in conjunction with the financial statements, notes and tables included elsewhere in this report and the First-Knox Banc Corp. 1995 Annual Report on Form 10-K. The Registrant cautions that any forward looking statements contained in this report, in a report incorporated by reference to this report or made by management of the company involve risks and uncertainties and are subject to change based on various important factors. The forward looking statements could cause actual results to differ materially from those expressed or implied. The Registrant is not aware of any market or institutional trends, events or uncertainties that will have or are reasonably likely to have a material effect on liquidity, capital resources or operations except as discussed herein. Other than as discussed herein, the Registrant is not aware of any current recommendations by regulatory authorities which would have such effect if implemented.

Financial Condition

Liquidity

Liquidity relates to the Corporation's ability to meet cash demands of its customers and their credit needs. Liquidity is provided by the Corporation's ability to readily convert assets to cash and raise funds in the market place. Traditional asset liquidity is provided by cash and readily marketable, short-term assets such as federal funds sold and deposits in other banks.

Cash, amounts due from banks and federal funds sold totaled $16.04 million at September 30, 1996. Investment and mortgage-backed securities available for sale were $177.54 million at September 30, 1996. This amount increased by $45.56 million from December 31, 1995 balances. These assets, as well as anticipated deposit growth and scheduled loan payments and maturing investment securities, provide the Corporation with an adequate source of funds for expected future demand for loans and for fluctuations in deposit volume. They also provide management with the flexibility to change the composition of interest earning assets as market conditions change in the future.

Liability liquidity relates to the Corporation's ability to retain existing deposits, obtain new deposits and borrow in the marketplace. Total deposits increased $22.09 million for the nine months ended September 30, 1996. Demand deposits experienced a $1.84 million or 1.94% increase, savings and time deposits increased $20.25 million or

6.54% during the first nine months of 1996. Management anticipates core deposits to experience moderate growth or remain stable during the rest of the year.

Access to advances from the Federal Home Loan Bank (FHLB) described in Note 5 is a supplemental source of cash to meet liquidity needs. The FHLB allows these borrowings to be utilized for any purpose.

Capital Resources

Shareholders' equity totaled $48.04 million at September 30, 1996, compared to $46.66 million at December 31, 1995. This increase was due primarily to earnings retention which more than offset a decrease in the net unrealized holding gain on securities available for sale. The ratio of shareholders' equity to assets was 8.57% at September 30, 1996 and 9.39% at December 31, 1995.

Cash dividends declared during the nine months ended September 30, 1996 were $1,635,000 or $.436 per share representing 34.67% of net income and an increase of 34.35% over the first nine months of 1995.

Regulatory Capital Requirements

The Corporation complies with the capital requirements established by the Federal Reserve System, which are summarized as follows:
<TABLE>
<CAPTION>

	Regulatory Minimum	Capital Position as of September 30, 1996	Capital Position as of December 31, 1995
<S>	<C>	<C>	<C>
Tier I risk-based capital.......	4.00%	14.55%	14.29%
Total risk-based capital.......	8.00%	15.71%	15.45%
Tier I leverage	3.00% - 5.00%	8.41%	8.84%

</TABLE>

Under "Prompt Corrective Action" regulations adopted in September 1992, the FDIC has defined five categories of capitalization (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized). The Corporation meets the "well capitalized" definition, which requires a total risk-based capital ratio of at least 10%, a leverage ratio of at least 5%, and the absence of any written agreement, order, or directive from a regulatory agency. "Well capitalized" status affords the Corporation the ability to operate with the greatest flexibility under the current laws and regulations. Under a current regulatory proposal, interest rate risk would become an additional element in measuring risk-based capital. This proposed change is not expected to significantly impact the Corporation's compliance with capital guidelines.

Changes in Financial Condition

Consolidated total assets were $560.66 million at the end of the current period after recording growth of $63.76 million or 12.83% during the first nine months of 1996. This growth was funded primarily by FHLB advances which increased by $39.23 million and deposits which increased $22.09 million. These new FHLB advances were used to purchase investment and mortgage-backed securities during the third quarter of 1996. Loans and leases increased by $21.43 million, and investments and mortgage-backed securities increased by $45.56 million during the first nine months of 1996. The residential real estate loan portfolio increased by $12.38 million or 8.09%, while commercial and other loans increased $6.11 million or 5.94%. Consumer and credit card loans increased by $2.36 million or 3.23%, while lease financing balances increased by $.59 million or 34.55%. Short-term borrowings increased by $11.86 million or 148.53% during the first nine months of 1996, primarily from the addition of a $10 million short-term FHLB advance.

The allowance for loan and lease losses as a percentage of loans and leases was 1.26% at the end of the current period and 1.26% at the end of 1995. Net loan and lease charge-offs were $271,000 for the first nine months of 1996, representing an annualized rate of .11% of the average loan and lease balances. This represented an increase of $41,000 in net charge-offs compared to the first nine months of 1995. Commercial loans had net charge offs of $51,000 compared to net charge-offs of $124,000 during the first nine months of 1995. Net charge-offs for consumer and credit card loans were $103,000 higher than 1995. Loans past due more than 90 days plus loans placed in non-accrual status were $2.01 million or .58% of outstanding balances at September 30, 1996 compared to $1.06 million or .32% of outstanding balances at the end of 1995.

The interest rate sensitivity of the Corporation has not changed significantly from that of December 31, 1995 as disclosed in the Corporation's 1995 annual report on Form 10-K.

Results of Operations-Third Quarter 1996 vs. Third Quarter 1995

Consolidated net income of $1,604,000 for the third quarter of 1996 was 7.80% over the $1,488,000 recorded for the third quarter of 1995. Expressed as annualized returns on average assets and average shareholders' equity, net income for 1996 was 1.16% and 13.37% compared to 1.22% and 13.62% for 1995. Fully diluted earnings per share increased $.03 to $.42 per share for the third quarter 1996 compared to the same period in 1995. These per share amounts were restated to reflect the 5% stock dividend distributed in September 1996.

The increased level of net income for the third quarter of 1996 compared to the third quarter of 1995, resulted primarily from higher net interest income.

Increased net interest income resulted from a $56.75 million or 12.44% increase in average earning assets. The annualized net interest margin rate (net interest income adjusted for tax-exempt income restated to a pre-tax equivalent based on the statutory federal tax rate [FTE] divided by average earning assets) was 4.43% in the third quarter of 1996 and 4.64% for the same period in 1995.

The net interest spread percentage (the FTE average earning assets yield minus the average cost of funds) declined by 16 basis points to 3.83% for the third quarter 1996 compared to the same period of a year ago. Management expects the net interest margin rate for 1996 to finish at lower levels than those experienced in 1995.

The provision for loan and lease losses increased by $45,000 or 27.11% during the third quarter of 1996 compared to the same period last year. Net loan and lease charge-offs were up $41,000 or 17.83% compared to the same period a year ago. Net loan and lease charge-offs for the third quarter of 1996 and 1995 were at an annualized rate of .09% and .04%, respectively. Management anticipates higher loan and lease charge-offs and a higher provision for loan and lease losses in 1996 compared to the full year levels experienced in 1995.

Non-interest income of $797,000 during the third quarter of 1996 represented an annualized .59% of average assets compared to $776,000 or .64% of average assets for the same period in 1995. There were no loan sales in both the third quarter of 1996 or third quarter of 1995. Approximately $4.9 million of mortgage loans held for sale were moved into a long-term investment position during the third quarter of 1996. This action was in concert with management's intent to fully utilize the leverage of shareholder's equity.

Non-interest expenses increased $142,000 or 3.92% over the third quarter 1995. Employee salaries and benefits decreased by $60,000 or 3.19% over the same period in 1995. This decline was largely due primarily to lowered employee group health insurance costs. All other non-interest expenses including occupancy expense, advertising, and franchise taxes were higher by $202,000 or 11.60% over 1995.

As a percentage of income before federal income taxes, federal income tax expense was 22.51% in 1996 and 22.14% in 1995. These effective tax rates are lower than the statutory tax rate of 34% due primarily to tax exempt income from obligations of states and political subdivisions and non-taxable loans.

Results of Operations-Nine Months 1996 vs. Nine Months 1995

Consolidated net income of $4,716,000 for the first nine months of 1996 was 13.75% over the $4,146,000 recorded for the same period in 1995. Expressed as annualized returns on average assets and average shareholders' equity, net income for 1996 was 1.22% and 13.39% compared to 1.17% and 13.02% for 1995. Fully diluted earnings per share increased $.16 to $1.24 per share for the nine months of 1996 compared to the same period in 1995. These per share amounts were restated to reflect the 5% stock dividend distributed in September, 1996.

The increased level of net income for the nine months of 1996 compared to the first nine months of 1995, resulted primarily from higher net interest income, reduced FDIC insurance expense, and lower personnel expense. These items are discussed more fully below.

Increased net interest income resulted from a $38.80 million or 8.69% increase in average earning assets. The annualized net interest margin rate (net interest income adjusted for tax-exempt income restated to a pre-tax equivalent based on the statutory federal tax rate [FTE] divided by average earning assets) was 4.59% in 1996 and 4.70% during the same period in 1995.

The net interest spread percentage (the FTE average earning assets yield minus the average cost of funds) declined by 10 basis points to 3.95% for the first nine months of 1996 compared to the same period of a year ago. Management expects the net interest margin rate for 1996 to remain at lower levels than those experienced in 1995.

The provision for loan and lease losses increased by $141,000 or 35.08% during the first nine months of 1996 compared to the same period last year. Net loan and lease charge-offs were up $41,000 or 17.83% compared to the same period a year ago. Net loan and lease charge-offs for the first nine months of 1996 and 1995 were at an annualized rate of .11% and .10%, respectively. Management anticipates both loan and lease charge-offs and the provision for loan and lease losses for 1996 to be higher than the full year levels experienced in 1995.

Non-interest income of $2,386,000 during the first nine months of 1996 represented an annualized .62% of average assets compared to $2,323,000 or .66% of average assets for the same period in 1995. Fiduciary income essentially kept pace with trust asset growth. There were no loan sales in both 1996 and 1995 periods.

Non-interest expenses decreased $14,000 or .13% over the same period in 1995. A reduction in FDIC insurance expense of $411,000 was a significant contributor to this decrease. Employee salaries and benefits decreased by $189,000 or 3.51% over the same period in 1995. This decline was largely due to a one time adjustment which significantly lowered employee group health insurance costs. All other non-interest expenses including occupancy expense, advertising, and franchise taxes were higher by $586,000 or 10.92% over 1995.

As a percentage of income before federal income taxes, federal income tax expense was 23.08% in 1996 and 20.92% in 1995. These effective tax rates are lower than the statutory tax rate of 34% due primarily to tax exempt income from obligations of states and political subdivisions and non-taxable loans.

Pending Merger

As discussed earlier, on October 28, 1996, the Corporation entered into an Agreement and Plan of Merger ("Agreement") with Park National Corporation ("Park National"), a bank holding company headquartered in Newark, Ohio, whereby First-Knox Banc Corp. will be merged with and into Park National. Under the terms of the agreement, Park National will exchange 0.5914 shares of Park National common stock for each outstanding share of First-Knox Banc Corp. common stock in a tax free exchange. Park National expects to issue an aggregate of 2,345,000 shares of common stock to complete the merger which will be accounted for as a pooling-of-interests. The exact exchange ratio will be determined pursuant to a formula that is based upon, among other things, the market price of Park National common stock and the number of shares of First-Knox Banc Corp. common stock outstanding or subject to options prior to closing. The transaction is valued at approximately $29.00 per share of

First-Knox Banc Corp. common stock, or approximately $114.3 million based on the $48.75 closing price of Park National common stock on October 25, 1996. Closing of the transaction is subject to certain conditions including regulatory approval and the approval of the shareholders of First-Knox Banc Corp. and Park National.

PART II - OTHER INFORMATION
(Items which are not applicable have been omitted)

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

<TABLE>

<S>	Description	<C> Location
4(b)	First-Knox Banc Corp. Divided Reinvestment Plan	Incorporated herein by reference to the Corporation's Registration Statement on Form S-3 (Registration No. 33-52590)
4(b)1	Amendment to the First-Knox Banc Corp. Dividend Reinvestment Plan	Incorporated herein by reference to exhibit 4(b)1 to the March 31, 1995 Form 10-Q
10(a)	Summary of Incentive Compensation Plan dated December 9, 1983	Incorporated herein by reference to exhibit 10(a) to the 1992 Form 10-K
10(b)	Employees Retirement Plan dated January 1, 1984	Incorporated herein by reference to exhibit 10(a) to the 1986 Form 10-K
10(c)	Supplemental Retirement Agreement dated August 11, 1987	Incorporated herein by reference to exhibit 10(c) to the 1992 Form 10-K

</TABLE>

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<S>		<C>
10(d)	Non-qualified Stock Option and Stock Appreciation Rights Plan	Incorporated herein by reference to exhibit 23 to the 1989 Form 10-K
10(e)	First-Knox Banc Corp. Savings Retirement Plan	Incorporated herein by reference to exhibit 10(e) to the 1993 Form 10-K
10(f)	Project Services Agreement between First-Knox National Bank and Sverdrup Building Corporation	Incorporated herein by reference to exhibit 10(f) to the 1993 Form 10-K
10(g)	First-Knox Banc Corp. Stock Option and Stock Appreciation Rights Plan	Incorporated herein by reference to exhibit 10(g) to the March 31, 1995 Form 10-Q
11	Statement regarding computation of per share earnings	Page 7 - Note 1 to consolidated financial statements
23	Consent of Independent Accountants	Incorporated herein by reference to exhibit 23 to the 1995 Form 10-K

</TABLE>

(b) No reports on Form 8-K were filed during the fiscal quarter covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

First-Knox Banc Corp.

(Registrant)

Date November 13, 1996 /S/ Carlos E. Watkins

By Carlos E. Watkins
President and Chief Executive Officer

Date November 13, 1996 /S/ Gordon E. Yance

By Gordon E. Yance
Vice President & Treasurer

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