

SECURITIES AND EXCHANGE COMMISSION

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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FILER

FIRST CHARTER CORP /NC/

CIK: **717306** | IRS No.: **561355866** | State of Incorpor.: **NC** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-15829** | Film No.: **96663527**
SIC: **6021** National commercial banks

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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 0-15829

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

North Carolina 56-1355866
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

22 Union Street, North, Concord, North Carolina 28025
(Address of principal executive offices) (Zip Code)

(704) 786-3300
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year,
if changed since last report)

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 No

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

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Sections 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest practicable date.

6,319,762 shares of Common Stock, \$5.00 par value, outstanding as of
November 14, 1996.

<TABLE>
PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

<CAPTION>

FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 1996	December 31, 1995
	Unaudited	
<S> Cash and due from banks	<C> \$ 34,899,682	<C> \$ 30,642,072
Federal funds sold	5,226,907	--
Interest bearing time deposits	--	3,000,000

Securities available for sale:		
U.S. Government obligations	29,054,263	23,363,185
U.S. Government agency obligations	16,963,183	26,523,683
Mortgage-backed securities	11,986,973	18,289,995
State and municipal obligations, nontaxable	67,048,485	59,052,874
Other	4,857,396	5,128,031
Total securities available for sale	129,910,300	132,357,768
Loans	350,642,754	333,038,730
Less: Unearned income	(181,374)	(295,701)
Allowance for loan losses	(5,127,908)	(4,855,540)
Loans, net	345,333,472	327,887,489
Premises and equipment, net	10,402,578	9,833,489
Other assets	8,711,312	5,674,487
Total assets	\$ 534,484,251	\$ 509,395,305
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits, domestic:		
Demand	\$ 77,447,213	\$ 72,285,910
NOW accounts	72,259,785	66,813,791
Time	296,828,905	275,956,530
Total deposits	446,535,903	415,056,231
Other borrowings	27,285,828	35,262,202
Other liabilities	3,684,915	5,652,799
Total liabilities	477,506,646	455,971,232
Shareholders' equity:		
Common stock - \$5 par value; authorized		
10,000,000 shares; issued and outstanding		
6,303,230 shares at 9/30/96 and 6,236,014		
shares at 12/31/95		
Additional paid-in capital	31,516,150	31,180,070
	672,507	--
Unrealized gain on securities available		
for sale, net	499,704	1,666,036
Retained earnings	24,289,244	20,577,967
Total shareholders' equity	56,977,605	53,424,073
Total liabilities and shareholders' equity		\$534,484,251 \$ 509,395,305

See accompanying notes to consolidated financial statements.

</TABLE>

<TABLE>

FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

<CAPTION>

	For Nine Months Ended	
	Sept. 30,	Sept. 30,
	1996	1995
Interest Income:		
<S>	<C>	<C>
Interest and fees on loans	\$ 24,114,446	\$21,547,409
Federal funds sold	139,809	272,465
Securities available for sale:		
U.S. Government obligations	1,263,568	753,732
U.S. Government agency obligations	1,038,801	705,768
Mortgage-backed securities	644,493	241,922
State and municipal obligations, nontaxable	2,483,374	18,082
Other	173,644	139,919
Investment securities:		
U.S. Government obligations	--	296,044
U.S. Government agency obligations	--	536,521
Mortgage-backed securities	--	725,177
State and municipal obligations, nontaxable	--	1,814,789
Other	279,396	302,507
Total interest income	30,137,531	27,354,335
Interest Expense:		
Deposits:		
Demand	987,393	956,532
Money Market	868,993	907,988
Savings and Time	10,061,726	8,419,393
Other borrowings	995,985	782,373

Total interest expense	12,914,097	11,066,286
Net interest income	17,223,434	16,288,049
Provision for loan losses	820,000	890,000
Net interest income after provision for loan losses	16,403,434	15,398,049
Noninterest income:		
Trust income	1,059,040	1,006,800
Service charges on deposit accounts	1,961,103	1,767,438
Credit card income	303,737	38,405
Insurance and other commissions	127,536	159,159
Securities available for sale transactions, net	246,094	(7,394)
Investment securities transactions, net	--	4,298
Other	875,878	684,725
Total noninterest income	4,573,388	3,653,431
Noninterest expense:		
Salaries and fringe benefits	6,520,823	5,836,538
Occupancy and equipment	1,738,503	1,460,932
Other	3,428,229	3,384,270
Total noninterest expense	11,687,555	10,681,740
Income before income taxes	9,289,267	8,369,740
Income taxes	2,749,000	2,518,700
Net Income	\$ 6,540,267	\$5,851,040

See accompanying notes to consolidated financial statements.

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<TABLE>

FIRST CHARTER CORPORATION AND SUBSIDIARIES

EARNINGS PER SHARE DATA (Unaudited)

<CAPTION>

	For Nine Months Ended	
	Sept. 30, 1996	Sept. 30, 1995
Primary income per share data:		
<S>	<C>	<C>
Net income	\$1.04	\$0.93
Average common equivalent shares	6,321,061	6,283,626
Income per share data assuming full dilution:		
Net income	\$1.04	\$0.93
Average common equivalent shares	6,321,061	6,297,869
Cash dividends declared	\$0.45	\$0.39

See accompanying notes to consolidated financial statements.

</TABLE>

<TABLE>

FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

<CAPTION>

	For Three Months Ended	
	Sept. 30, 1996	Sept. 30, 1995
Interest Income:		
<S>	<C>	<C>
Interest and fees on loans	\$8,189,241	\$7,509,157
Federal funds sold	64,101	91,594
Securities available for sale:		
U.S. Government obligations	466,394	227,227
U.S. Government agency obligations	247,735	310,681
Mortgage-backed securities	202,615	77,087
State and municipal obligations, nontaxable	874,717	17,063
Other	49,516	56,357
Investment securities:		

U.S. Government obligations	--	118,121
U.S. Government agency obligations	--	228,638
Mortgage-backed securities	--	226,849
State and municipal obligations, nontaxable	--	596,478
Other	99,999	133,994
Total interest income	10,194,318	9,593,246
Interest Expense:		
Deposits:		
Demand	335,724	321,133
Money Market	301,995	295,492
Savings and Time	3,380,049	3,121,565
Other borrowings	339,827	269,549
Total interest expense	4,357,595	4,007,739
Net interest income	5,836,723	5,585,507
Provision for loan losses	200,000	410,000
Net interest income after provision for loan losses	5,636,723	5,175,507
Noninterest income:		
Trust income	344,750	344,520
Service charges on deposit accounts	644,598	592,694
Credit card income	96,015	23,025
Insurance and other commissions	33,680	50,529
Securities available for sale transactions, net	101,201	(2,403)
Investment securities transactions, net	--	--
Other	284,544	282,917
Total noninterest income	1,504,788	1,291,282
Noninterest expense:		
Salaries and fringe benefits	2,311,597	2,018,788
Occupancy and equipment	614,828	480,117
Other	1,190,262	981,470
Total noninterest expense	4,116,687	3,480,375
Income before income taxes	3,024,824	2,986,414
Income taxes	837,000	914,700
Net Income	\$2,187,824	\$2,071,714

See accompanying notes to consolidated financial statements.

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<TABLE>

FIRST CHARTER CORPORATION AND SUBSIDIARIES
EARNINGS PER SHARE DATA (Unaudited)

<CAPTION>

	For Three Months Ended	
	Sept. 30, 1996	Sept. 30, 1995
Primary income per share data:		
<S>	<C>	<C>
Net income	\$0.35	\$0.33
Average common equivalent shares	6,337,050	6,298,124
Income per share data assuming full dilution:		
Net income	\$0.35	\$0.33
Average common equivalent shares	6,337,761	6,301,611
Cash dividends declared	\$0.15	\$0.13

See accompanying notes to consolidated financial statements.

</TABLE>
<TABLE>

FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)
For The Nine Months Ended September 30, 1996

<CAPTION>

	Common Stock	Add'l Paid-in Capital	Retained Earnings	Unrealized Gains (Losses) on Securities Available for Sale	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995...	\$31,180,070	\$ --	\$20,577,967	\$ 1,666,036	\$53,424,073
Net income for the nine months ended Sept. 30, 1996.....	--	--	6,540,267	--	6,540,267
Cash dividends of \$.45 per share.....	--	--	(2,828,789)	--	(2,828,789)
Purchase and retirement of 3,140 shares of common stock.....	(15,700)	(45,866)	--	--	(61,566)
Stock options exercised and Dividend Reinvestment Plan stock issued totaling 70,356 shares.....	351,780	718,373	(201)	--	1,069,952
Unrealized loss on securities available for sale, net.....	--	--	--	(1,166,332)	(1,166,332)
Balance, Sept.30, 1996.....	\$31,516,150	\$672,507	\$24,289,244	\$ 499,704	\$56,977,605

See accompanying notes to consolidated financial statements.

</TABLE>

<TABLE>
FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
<CAPTION>

	For Nine Months Ended	
	Sept 30,1996	Sept 30,1995
Cash flows from operating activities:		
<S>	<C>	<C>
Net income	\$ 6,540,267	\$ 5,851,040
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	820,000	890,000
Depreciation	844,973	627,388
Premium amortization and discount accretion, net	67,258	(203,853)
Net loss on investment securities transactions	--	7,394
Net gain on securities available for sale transactions	(246,094)	(4,298)
Net (gain) loss on sale of premises and equipment	3,685	(12,449)
Origination of mortgage loans held for sale	(14,670,762)	(18,298,806)
Proceeds from sale of mortgage loans available for sale	13,931,255	16,085,710
Decrease (increase) in other assets	(1,725,428)	922,687
Decrease in other liabilities	(1,907,304)	(292,114)
Net cash provided by operating activities	3,657,850	5,572,699
Cash flows from investing activities:		
Proceeds from maturities of interest bearing time deposits	3,000,000	1,000,000
Proceeds from sales of investment securities	--	1,725,292
Proceeds from sales of securities available for sale	6,072,277	12,919,463
Proceeds from maturities and issuer calls of investment securities, net	--	25,692,941
Proceeds from maturities of securities available for sale	24,194,301	12,443,450
Purchase of interest bearing time deposits	--	(4,500,000)

Purchase of investment securities	--	(27,062,576)
Purchase of securities available for sale	(29,513,152)	(29,179,984)
Net increase in loans	(17,676,636)	(28,608,158)
Proceeds from sales of premises and equipment	107,051	30,425
Purchase of premises and equipment	(1,979,489)	(1,344,030)
Net cash used in investing activities	(15,795,648)	(36,883,177)
Cash flows from financing activities:		
Net increase in demand, NOW, money market and savings accounts	14,186,290	15,746,213
Net increase in certificates of deposit	17,293,382	17,089,081
Net decrease in other borrowings	(7,976,374)	(19,834)
Net increase (decrease) in advances for taxes and insurance	(60,580)	81,881
Purchase of common stock	(61,566)	(373,063)
Proceeds from issuance of common stock	1,069,952	475,684
Pre-merger transactions of pooled bank	--	31,543
Dividends paid	(2,828,789)	(1,807,344)
Net cash provided by financing activities	21,622,315	31,224,161
Net increase in cash and cash equivalents	9,484,517	(86,317)
Cash and cash equivalents at beginning of period	30,642,072	26,500,086
Cash and cash equivalents at end of period	\$ 40,126,589	\$ 26,413,769

(Continued)

</TABLE>

<TABLE>

FIRST CHARTER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Continued)

<CAPTION>

For Nine Months Ended

Sept 30, 1996 Sept 30, 1995

Supplemental disclosures of cash flow information:

Cash paid during the year for:

<S>	<C>	<C>
Interest	\$ 12,640,528	\$ 10,765,781
Income taxes	\$ 2,476,740	\$ 2,902,671

Supplemental disclosure of non-cash transactions:

Transfer of loans, premises and equipment to other real estate owned	\$ 608,536	\$ 11,531
Unrealized gains (loss) in value of securities available for sale (net of tax effect of (\$706,546) and \$499,680 for 9/30/96 and 9/30/95, respectively)	\$ (1,166,332)	\$ 770,489

See accompanying notes to consolidated financial statements.

</TABLE>

FIRST CHARTER CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS (Unaudited)

- All financial data has been adjusted to reflect the acquisition of Bank of Union in December 1995 which was accounted for as a pooling of interests.
- Primary earnings per share and income per share assuming full dilution are computed based on the weighted average number of shares outstanding during the period, including common stock equivalent shares applicable to stock options, assuming the exercise of outstanding stock options at market value per share.
- In certain instances, amounts reported in the 1995 financial statements have been reclassified to present them in the format selected for 1996. Such reclassifications have no effect on net income or shareholders' equity as previously reported.

4. The information furnished in this report reflects all adjustments which are, in the opinion of management, necessary to present a fair statement of the financial condition and the results of operations for the interim periods. All such adjustments were of a normal recurring nature.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The consolidated balance sheets of First Charter Corporation (the "Corporation") represent account balances for the Corporation and its wholly owned banking subsidiaries, First Charter National Bank ("FCNB") and Bank of Union ("Union").

LIQUIDITY

FCNB and Union (the "Banks") derive the major source of their liquidity from their core deposit base. Liquidity is further provided by maturities in the investment portfolios, the ability to secure public deposits, the availability of Federal fund lines at correspondent banks and the ability to borrow from the Federal Reserve Bank discount window. In addition to these sources, the Banks are members of the Federal Home Loan Bank ("FHLB") System which provides access to FHLB lending sources. Another source of liquidity is the securities available for sale portfolios which may be sold in response to liquidity needs. Management believes the Banks' sources of liquidity are adequate to meet operating needs and deposit withdrawal requirements.

CAPITAL RESOURCES

At September 30, 1996, total shareholders' equity was \$56,977,605, or \$9.04 per share compared to \$53,424,073, or \$8.57 per share at December 31, 1995.

At September 30, 1996, the Corporation and the Banks were in compliance with all existing capital requirements. The Corporation's capital requirements are summarized in the table below:

	Leverage Capital		Risk-Based Capital			
	Amount	%(1)	Tier 1 Capital Amount	%(2)	Total Capital Amount	%(2)
	(Dollars in thousands)					
Actual	\$ 56,978	10.66%	\$56,978	15.02%	\$61,726	16.27%
Required	21,379	4.00	15,194	4.00	30,387	8.00
Excess	35,599	6.66	41,784	11.02	31,339	8.27

(1) Percentage of total adjusted assets. The FRB minimum leverage ratio requirement is 3% to 5%, depending on the institution's composite rating as determined by its regulators. The FRB has not advised the Corporation of any specific requirements applicable to it.

(2) Percentage of risk-weighted assets.

REGULATORY RECOMMENDATIONS

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

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Net income for the three month period ended September 30, 1996 was \$2,187,824, or \$0.35 per share versus \$2,071,714, or \$0.33 per share for the comparable period in 1995 which represents a 5.6% increase. Net income for the nine month period ended September 30, 1996 was \$6,540,267, or \$1.04 per share versus \$5,851,040, or \$0.93 per share for the comparable period in 1995 which represents an 11.8% increase. The increases in net income over the comparable periods in 1995 are primarily attributable to increases in net interest income and noninterest income. On an annualized basis, year to date results represent a

return on average assets of 1.68% versus 1.70% and a return on average equity of 15.67% versus 15.66%, for the periods ended September 30, 1996 and September 30, 1995, respectively.

Total assets at September 30, 1996 were \$534,484,251 compared to \$509,395,305 at December 31, 1995. The growth in assets is primarily attributable to an increase in gross loans. As a result, gross loans increased 5.3% to \$350,642,754 from \$333,038,730 at December 31, 1995. Total deposits increased 7.6% to \$446,535,903 from \$415,056,231 at December 31, 1995. During the first nine months of 1996, certificates of deposits increased primarily due to an addition of \$12.0 million in public deposits with various maturities starting in the third and fourth quarters of 1996. Additionally, Management does not anticipate that these certificates will be renewed upon maturity.

Securities available for sale totaled \$129,910,300 at September 30, 1996 for a decrease of \$2,447,468 from December 31, 1995. The decrease was primarily due to a pre-tax reduction of unrealized gains of approximately \$1.9 million, resulting from an overall upward shift in interest rates during the latter part of the first quarter of 1996. Proceeds from sales, maturities and paydowns were used to fund increased loan demand and to reposition the securities available for sale portfolio. U.S. Government obligations were purchased to provide liquidity and municipal securities were purchased to maximize interest income. The carrying value of securities available for sale was \$820,145 above their amortized cost at September 30, 1996 which represents gross unrealized gains of \$2,803,292 and gross unrealized losses of \$1,983,147.

For the three and nine month periods ended September 30, 1996, net interest income before provision for loan losses increased \$251,216 and \$935,385, respectively, over the comparable periods in 1995. The increase is primarily

attributable to an increase in the level of interest earning assets, which was partially offset by escalating interest expense (both volume and rate.) The net interest margin declined to 5.09% year to date at September 30, 1996 from 5.41% for the same period in 1995. The average yield on earning assets decreased to 8.64% at September 30, 1996 compared to 8.89% at September 30, 1995, primarily due to a reduction in prime rate of interest, and the average rate paid on interest-bearing liabilities increased to 4.43% at September 30, 1996 compared to 4.54% at September 30, 1995.

Management continues to assess interest rate risk based on an earnings simulation model. The Corporation's balance sheet is liability sensitive, meaning that in a given period there will be more liabilities than assets subject to immediate repricing as market rates change. Because immediately rate sensitive interest-bearing liabilities exceed immediately rate sensitive assets, the earnings position could improve in a declining rate environment and could deteriorate in a rising rate environment, depending on the correlation of rate changes in these two categories.

Utilization of stronger analytical and underwriting skills and the use of a dedicated collection staff have had a positive impact on asset quality. As a result, the provision for loan losses decreased for the three and nine months ended September 30, 1996 to \$200,000 and \$820,000, respectively, from \$410,000 and \$890,000, for the three and nine months ended September 30, 1996, respectively. At September 30, 1996 and December 31, 1995, the allowance for loan losses as a percentage of gross loans remained unchanged at 1.46%. Management continues to perform a monthly analysis of the allowance utilizing a system for risk grading the portfolio. Based on this review, management believes the allowance to be adequate; however, if credit quality deteriorates, additional provisions will be made to the allowance for loan losses.

The following table presents changes in the allowance for loan losses at September 30, 1996:

	Sept. 30, 1996	Sept. 30, 1995
Beginning Balance	\$4,856	\$4,131
Add:		

Provision charged to operations	820	890
	5,676	5,021
Less:		
Loan charge-offs	845	456
Less loan recoveries	297	139
Net loan charge-offs	548	317
Ending Balance	\$5,128	\$4,704

At September 30, 1996, the recorded investment in loans that were considered to be impaired under the Financial Accounting Standards Board (FASB) Standard No. 114 and No. 118 was \$1,803,822 (of which \$1,449,084 was on nonaccrual). There is a specific allocation of the allowance for loan loss for each impaired loan totalling \$755,530 at September 30, 1996. The average recorded investment in impaired loans for the nine months ended September 30, 1996 was \$2,064,823. For the nine months ended September 30, 1996, the Corporation recognized interest income on impaired loans of \$25,284, none of which was recognized using the cash method of income recognition.

Nonperforming assets at September 30, 1996 were \$2,504,361 or 0.7% of gross loans, foreclosed properties and other real estate owned compared to \$2,890,461 or 0.9% at December 31, 1995. The level of nonperforming assets is presented in the following table.

	Sept. 30, 1996	December 31, 1995
Loans:		
Nonaccrual loans	\$1,767,123	\$2,287,210
Restructured loan	--	300,000
Loans 90 days or more past due and still accruing	215,038	242,001
Foreclosed Property	87,700	61,250
Other Real Estate Owned	434,500	--

Other real estate owned increased due to the reclassification of land originally purchased for a branch location. Nonaccrual loans and restructured loans decreased during the nine month period ended September 30, 1996 primarily due to loan payoffs.

Interest income that would have been recorded on nonaccrual loans for the nine months ended September 30, 1996, had they performed in accordance with their original terms, amounted to approximately \$128,000. Interest income on nonaccrual loans included in the results of operations for the nine months ended September 30, 1996 amounted to approximately \$1,000.

Noninterest income for the three and nine month periods increased approximately \$213,506 or 16.5% and \$919,957 or 25.2%, respectively, over the comparable periods in 1995. The major components of these increases were higher credit card income due to increased volumes and the conversion of FCNB merchant card holders from a third party card provider, higher securities gains due to the sale of equity securities held by the Corporation and higher mortgage loan income due to increased loan originations.

Noninterest expense for the three and nine month periods increased approximately \$636,312 or 18.3% and \$1,005,815 or 9.4%, respectively, over the comparable periods in 1995. The increase is primarily attributable to higher salaries and fringe benefits

due to normal salary adjustments and a greater number of full-time equivalents. Occupancy and equipment increased due to additional technology added and the opening of a full service branch. Additional increases in noninterest expense were incurred in advertising, data processing, postage, supplies and telephone expenses. These increases were offset by a reduction of FDIC insurance premiums to the current level of \$500 per quarter for each Bank, effective January 1, 1996. Based on Congressional legislation passed on September 30, 1996, FDIC Insurance expense will increase to an annual rate of 1.29 cents per \$100 of deposits or approximately \$60,000 for 1997.

Total income tax expense for the three months ended September 30, 1996 decreased \$77,700 and for the nine month period ended September 30, 1996 increased \$230,300. The three month decrease is attributable to a lower effective rate, due to an increase in tax-exempt securities, which is offset by an increase in taxable income. The nine month increase is attributable to an increase in taxable income that was partially offset by a decrease in the effective tax rate.

ACCOUNTING MATTERS

On June 28, 1996, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (Statement). This Statement provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on consistent application of a financial-components approach that focuses on control. It distinguishes transfers of financial assets that are sales from transfers that are secured borrowings.

Statement No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, and is to be applied prospectively. Earlier or retroactive application is not permitted. The periodic effect on net income of the Corporation has not been determined, but is not expected to be significant.

FACTORS THAT MAY AFFECT FUTURE RESULTS

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

Factors that may cause actual results to differ materially from these forward-looking statements are the passage of unforeseen state or Federal Legislation or regulation applicable the Corporation's operations and the Company's ability to accurately predict loan loss provision needs using its present risk grading system.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No. (per Exhibit Table in item 601 of Regulation S-K)	Description of Exhibits
3.1	Restated Charter of the Registrant, incorporated herein by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (Commission File No. 0-15829).
3.2	By-laws of the Registrant, as amended, incorporated herein by reference to Exhibit 3.2 of the Registrant's Annual Report

on Form 10-K for the fiscal year ended December 31, 1995 (Commission File No. 0-15829).

11	Statements regarding computation of per share earnings.
27	Financial Data Schedules

(b) Reports on Form 8-K

No reports on Form 8-K were filed this quarter.

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 CHARTER CORPORATION
(Registrant)

Date: November 14, 1996

By: \s\ Robert O. Bratton
Robert O. Bratton
Executive Vice President &
Principal Financial and
Accounting Officer

EXHIBIT INDEX

Exhibit No. (per Exhibit Table in item 601 of Regulation S-K)	Description of Exhibits	Sequential Page Number
11	Statements regarding computation of per share earnings.	
27	Financial Data Schedules	

<TABLE>

FIRST CHARTER CORPORATION
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS (Unaudited)

Exhibit 11

<CAPTION>

Nine Months Ended

Sept. 30, Sept 30,
1996 1995

NET INCOME PER SHARE COMPUTED AS FOLLOWS:

PRIMARY:

<S>

<C>

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1. Net income	\$	6,540,267	\$	5,851,040
2. Weighted average common shares outstanding		6,283,285		6,227,318
3. Incremental shares under stock options computed under the treasury stock method using the average market price of issuer's stock during the periods		37,776		56,308
4. Weighted average common shares and common equivalent shares outstanding		6,321,061		6,283,626
5. Net income per share (Item 1 Divided by Item 4)	\$	1.04	\$	0.93

FULLY DILUTED:

1. Net income	\$	6,540,267	\$	5,851,040
2. Weighted average common shares outstanding		6,283,285		6,227,795
3. Incremental shares under stock options computed under the treasury stock method using the higher of the average or ending market price of issuer's stock at the end of the periods		37,776		70,074
4. Weighted average common shares and common equivalent shares outstanding		6,321,061		6,297,869
5. Net income per share (Item 1 Divided by Item 4)	\$	1.04	\$	0.93

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FIRST CHARTER CORPORATION
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS (Unaudited)

Exhibit 11

<CAPTION>

Three Months Ended

Sept. 30, Sept. 30,

NET INCOME PER SHARE COMPUTED AS FOLLOWS:

PRIMARY:

<u><S></u>	<u><C></u>	<u><C></u>
1. Net income	\$ 2,187,824	\$ 2,071,714
2. Weighted average common shares outstanding	6,300,726	6,234,069
3. Incremental shares under stock options		
computed under the treasury stock method		
using the average market price of issuer's		
stock during the periods	36,324	64,055
4. Weighted average common shares and common		
equivalent shares outstanding	6,337,050	6,298,124
5. Net income per share	\$ 0.35	\$ 0.33
(Item 1 Divided by Item 4)		

FULLY DILUTED:

1. Net income	\$ 2,187,824	\$ 2,071,714
2. Weighted average common shares outstanding	6,300,726	6,234,150
3. Incremental shares under stock options		
computed under the treasury stock method		
using the higher of the average or ending		
market price of issuer's stock at the end		
of the periods	37,035	67,461
4. Weighted average common shares and common		
equivalent shares outstanding	6,337,761	6,301,611
5. Net income per share	\$ 0.35	\$ 0.33

(Item 1 Divided by Item 4)

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