U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-KSB

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended SEPTEMBER 30, 1996

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period _________ to ____________

Commission file number: 0-16657

FIRST GEORGIA HOLDING, INC.
(Name of Small Business Issuer)

GEORGIA	58-1781773
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

1703 GLOUCESTER STREET, BRUNSWICK, GA 31520
(Address of principal executive offices)

Registrant's telephone number, including area code: (912) 267-7283
Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, PAR VALUE $1.00

Check whether the issuer (1) has filed all reports required to be filed by section 12 or 15(d) of the Exchange Act of 1934 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 60 days.
Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-K. [X]

State issuer's revenues for its most recent fiscal year $12,797,813

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of December 1, 1996:

1,225,461 SHARES OF COMMON STOCK, $1.00 PAR VALUE -- $10,575,728 BASED UPON APPROXIMATE MARKET VALUE OF $8.63 PER SHARE AT DECEMBER 1, 1996.

State the number of shares outstanding of each of the issuer's classes of common stock, as of December 1, 1996: COMMON STOCK, $1.00 PAR VALUE --2,034,962 SHARES

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement (the "Proxy Statement") for the Annual Meeting of Shareholders scheduled to be held January 21, 1997 are incorporated by reference into Part I and Part III.

Portions of the Company's Annual Report (the "Annual Report") to Shareholders for the year ended September

30, 1996 are incorporated by reference into Part I, Part II and Part III.

FIRST GEORGIA HOLDING, INC.

FORM 10-KSB

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PART I

Item 1. DESCRIPTION OF BUSINESS

BUSINESS OF THE COMPANY

First Georgia Holding, Inc. (the Company), was incorporated as a Georgia corporation on December 16, 1987, for the purpose of acquiring all of the issued and outstanding shares of First Georgia Bank, F.S.B. (formerly known as First Georgia Savings Bank, F.S.B.)(the Bank) pursuant to a plan of reorganization. The reorganization of the Bank into a holding company structure became effective on April 30, 1988, and the Bank is now a wholly-owned subsidiary of the Company.

The Company has not engaged in any material operations to date and management of the Company has no immediate plans to engage in any non-banking activities.

The holding company structure provides the Company with the ability to expand and diversify its financial services beyond those currently offered through the Bank. As a holding company, the Company has greater flexibility than the Bank to diversify its business activities, through existing or newly-formed subsidiaries, or through acquisition or merger. Commencement of non-banking operations by subsidiaries, if they are organized, will be contingent upon approval by the Board of Directors of the Company and by regulatory authorities as appropriate. While the Company has no plans, arrangements, agreements or understandings regarding diversification through acquisition or development of other businesses, the Board of Directors believes that the holding company structure offers significant advantages.

The Company may, in the future, enter into a management agreement for the purpose of rendering certain services to the Bank. No proposal and no terms of such agreement, however, have been considered as yet and it has not been decided that such an agreement will be made. Certain restrictions on the total compensation under management and similar agreements are imposed by federal regulation and, under certain circumstances, regulatory approval may be required.

Except for the officers of the Bank who presently serve as officers of the Company, the Company does not have any employees.

The Company's executive office is located at 1703 Gloucester Street, Brunswick, Georgia 31520. At the present time the Company does not have any plans to establish additional offices.

BUSINESS OF THE BANK

The Bank is a federal stock savings bank headquartered in Brunswick, Georgia. It was chartered in 1983 and opened for business on January 31, 1984 with approximately $8.6 million of acquired deposits.

The Bank's business consists primarily of residential and consumer lending and retail banking. To a lesser extent the Bank engages in commercial real estate lending and construction lending.

The Bank's retail banking operation consists of attracting deposits and making commercial and consumer loans. It attracts deposits by offering a wide array of banking services, including checking accounts, overdraft protection, various savings programs, IRAs, and access to the AVAIL network of automatic teller machines. Similarly, the Bank offers a full range of commercial loans, including short-term loans for working capital purposes, seasonal loans, lines of credit, accounts receivable loans and inventory loans, as well as a full range of consumer loans, including automobile, boat, home improvement and other similar loans.

Commercial real estate and construction lending includes construction and permanent loans on multi-family apartment buildings, shopping centers, office buildings and other income producing properties located mainly in the Bank's primary market area.

The principal executive offices of the Bank are located at 1703 Gloucester Street, Brunswick, Georgia 31520 and the telephone number at that address is (912) 267-7283.

SUMMARY OF FINANCIAL RESULTS

First Georgia Holding, Inc. reported Net Income of $761,366 in 1996, a decrease of $515,722. This decrease is due primarily to a SAIF special assessment of $727,704. In addition, Net Income decreased as a result of reduced net interest margins. The assessment resulted in an after tax decrease in Net Income of $451,467. Net Interest Income after Provision for Loan Losses increased a total of $191,592. Other Income decreased by a total of $264,919, and other expenses, exclusive of the SAIF assessment, increased $122,620.

RETURN ON AVERAGE EQUITY AND ASSETS

Return on Average Assets for the year ended September 30, 1996 was 0.55% as compared to 0.95% for the year ended September 30, 1995. Return on Average Equity for the year ended September 30, 1996 was 6.52% compared to 11.88% for the year ended September 30, 1995. These decreases were due primarily to start up costs associated with the opening of the new North Brunswick branch and the one time special SAIF assessment.

SELECTED STATISTICAL INFORMATION

The following tables set forth certain selected statistical information and should be read in conjunction with the consolidated financial statements of the Company and Bank.

	Year Ended September 30, 1996	1995
Return on Average Assets	0.55%	0.95%
Return on Average Equity	6.52%	11.88%
Average Equity to Average Assets	8.39%	8.01%
Dividend Payout Ratio	17.42%	6.38%

AVERAGE BALANCE SHEETS

	Year Ended September 30, 1996	1995
Cash	$ 2,711,372	2,627,902
Interest-bearing deposits in other banks	1,835,076	3,421,075
Investment securities	9,514,086	8,148,300
Loans receivable, net	117,481,323	115,870,551
Real estate acquired in settlement of loans	88,293	466,281
Federal Home Loan Bank stock	1,575,700	1,575,700
Premises and equipment, net	3,309,094	3,028,371
Accrued interest receivable	855,218	820,405
Intangible assets, net	1,325,933	1,558,861
Other assets	601,994	316,418
	$ 139,298,088	137,833,864

LIABILITIES AND STOCKHOLDERS' EQUITY

	1996	1995
Liabilities:		
Deposits	$ 112,422,778	107,968,855
Federal Home Loan Bank advances	12,822,012	15,399,672
Advance payments by borrowers for taxes and insurance	61,647	78,304
Other borrowed money	160,493	216,000
Accrued expenses and other liabilities	2,148,177	3,403,065
	127,615,107	127,065,896

Stockholders' equity	11,682,981	10,767,968
Total liabilities and stockholders' equity	$ 139,298,088	137,833,864

INTEREST EARNINGS AND YIELD

	Year Ended September 30, 1996	1995
Interest earned on:		
Loans	$ 10,986,155	10,871,713
Taxable investment securities	699,732	507,009
Interest-bearing deposits in other banks	108,029	247,615
Total interest income	11,793,916	11,626,337
Interest paid on:		
Deposits	5,682,330	5,345,453
Short term debt	198,335	12,176
Long term debt	668,717	1,049,728
Total interest expense	6,549,382	6,407,357
NET INTEREST EARNED	$ 5,244,534	5,218,980
Average percentage earned on:		
Loans	9.35%	9.38%
Taxable investment securities	7.35	6.22
Interest-bearing deposits in other banks	5.89	7.24
Total interest earning assets	9.15	9.46
Average percentage paid on:		
Deposits	5.05	4.95
Short term debt	7.27	5.90
Long term debt	6.63	6.82
Total interest bearing liabilities	5.23	5.29
NET YIELD ON INTEREST EARNING ASSETS	4.07	4.17%

"Management's Discussion and Analysis of Financial Condition and Results of Operations - Yields Earned and Rates Paid" in the Company's Annual Report is incorporated by reference herein.

LENDING ACTIVITIES

GENERAL

Thrift institutions are permitted to invest up to 400% of their capital in commercial real estate loans. Thrift institutions are also permitted to invest up to 10% of their assets in secured or unsecured loans for commercial, corporate, business or agricultural purposes. Institutions may also invest up to 35% of their assets in consumer loans and up to 10% of their assets in tangible personal property in order to engage in personal property leasing.

In 1992 the Bank entered into a supervisory agreement with the OTS. The agreement required the Bank to submit to the OTS a written plan to improve the Bank's record of compliance with applicable federal consumer protection laws and regulations. Effective May 20, 1996, the OTS released the Bank from this supervisory agreement.

LOAN PORTFOLIO ANALYSIS

The Bank's net loan portfolio totaled approximately $122,431,469 at September 30, 1996, representing approximately 82% of its total assets. On that date, approximately 77% of its total outstanding loans were secured by mortgages on residential property. The balance of the Bank's outstanding loans at that date consisted of commercial real estate loans, construction loans, consumer loans and commercial loans.

The Bank extends credit to customers throughout its market area with a concentration in real estate mortgage loans. The real estate loan portfolio is substantially secured by properties located throughout Southeast Georgia. Although the Bank has a diversified loan portfolio, a substantial portion of its borrowers' ability to repay such loans is dependent upon the economy in the Bank's market area.

Set forth on the next page is selected data relating to the composition of the Bank's loan portfolio by type of loan and type of security on the dates indicated.

LOAN ANALYSIS

	September 30,			
(In Thousands)	1996		1995	
Loans By:				
Type of Security:				
Real Estate Loans:				
Residential:				
One-four family:				
Conventional	$ 66,695	54.48%	64,086	58.03%
FHA-VA	259	0.21%	265	0.24%
Multi-family conventional	6,205	5.07%	6,560	5.94%
Total residential	73,159	59.75%	70,911	64.21%
Commercial Property	21,283	17.38%	19,555	17.71%
Land development and other	11,654	9.52%	8,802	7.97%
Less Loans held for sale	-	0.00%	-	0.00%
Total real estate loans	106,096	86.65%	99,268	89.89%
Non-real estate loans	17,340	14.17%	15,136	13.71%
Less: Loans in process	-	0.00%	(2,868)	-2.60%
Unearned Interest income	(32)	-0.03%	(40)	-0.04%
Allowances for losses	(955)	-0.78%	(1,004)	-0.91%
Deferred loan fees	(17)	-0.01%	(60)	-0.05%
Total	$ 122,432	100.00%	110,432	100.00%
TYPE OF LOAN:				
Real Estate Loans:				
Loans on existing property:				
Fixed rate	$ 30,967	25.29%	35,238	31.91%
One-year ARM(1)	62,581	51.10%	55,201	49.98%
Three-year ARM	1,130	0.92%	1,224	1.11%
Construction loans	11,418	9.34%	7,605	6.89%
Less: Loans held for sale	-	0.00%	-	0.00%
Total real estate loans	106,096	86.65%	99,268	89.89%

Consumer loans	9,448	7.72%	9,094	8.23%
Commercial loans	7,892	6.45%	6,042	5.48%
Less: Loans in process	-	0.00%	(2,868)	-2.60%
Unearned Interest Income	(32)	-0.03%	(40)	-0.04%
Allowance for losses	(955)	-0.78%	(1,004)	-0.91%
Deferred loan fees	(17)	-0.01%	(60)	-0.05%
	$ 122,432	100%	110,432	100%

(1) An ARM is an adjustable rate mortgage

LOAN MATURITY SCHEDULE

The following table sets forth certain information at September 30, 1996 regarding the dollar amount of loans maturing in the Bank's portfolio based on their contractual terms to maturity. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as due in one year or less. This table does not consider the repricing of loans to be maturities. Interest rate sensitivity is incorporated herein by reference from the Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset/Liability Management from the Annual Report to Shareholders for 1996.

Maturities During years ended September 30,	Real estate mortgage	Real estate construction	Consumer	Commercial and other	Total
	(In Thousands)				
1997	$ 22,848	9,768	5,045	3,008	40,669
1998	9,170	1,650	1,582	2,646	15,048
1999	8,408	-	1,768	832	11,008
2000	664	-	590	297	1,551
2001-2005	7,606	-	347	813	8,766
2006-2010	9,188	-	116	296	9,600
After 2010	36,794	-	-	-	36,794
Total	$ 94,678	11,418	9,448	7,892	123,436

Less: Loans in process	-
Unearned Interest Income	(32)
Allowance for losses	(955)
Deferred loan fees	(17)
	$ 122,432

The next table sets forth the dollar amount of all loans due more than one year after September 30, 1996 which have predetermined interest rates and which have floating or adjustable interest rates.

	Real estate mortgage	Real estate construction	Consumer	Commercial and other	Total
	(In Thousands)				
Pre-determined Rates	$ 18,799	-	4,217	1,295	24,311
Floating or adjustable Rates	54,230	1,649	186	2,391	58,456
	$ 73,029	1,649	4,403	3,686	82,767

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LENDING POLICIES

Federal regulations limit the amount which federally chartered thrift institutions may lend in relation to the appraised value of the real estate securing the loan, as determined by an appraisal at the time of loan origination. Those regulations permit a maximum loan-to-value ratio of 100% for real estate loans. The Bank's lending policies generally limit the maximum loan-to-value ratio on residential mortgage loans to 95% of the lesser of the appraised value or purchase price. Multi-family residential and commercial real estate loans and unimproved real estate loans generally do not exceed 90% of value. The loan-to-value ratio, maturity and other provisions of the loans made by the Bank generally reflect the policy of making less than the maximum loan permissible under applicable regulations in accordance with sound lending practices, market conditions and underwriting standards established by the Bank.

In an effort to keep the yields on its loan portfolio and investments more interest rate sensitive, the Bank has implemented a number of measures including: (a) generally originating long-term fixed rate mortgage loans for brokerage to other financial institutions; (b) emphasizing origination of ARMs on residential and commercial properties when market conditions permit; (c) originating construction loans secured by residential properties generally for a 12-month period at interest rates determined by reference to the Bank's prime rate; and (d) originating consumer and commercial loans having either adjustable rates or relatively short maturities.

SINGLE FAMILY RESIDENTIAL

One of the lending activities of the Bank has been the origination of single family residential loans through its mortgage lending operation. Through an arrangement with another financial institution, the Bank brokers substantially all of its fixed rate single family residential loans. This allows the Bank to offer a broader base of financing alternatives than would be possible if the Bank were structuring all of its loans to sell to the Federal Home Loan Mortgage Corporation (FHLMC) or the Federal National Mortgage Association (FNMA).

Federally chartered thrift institutions are authorized to make home loans on which the interest rate, loan balance or maturity may be adjusted, provided that the adjustments are tied to specified indices. The rate adjustments are determined by reference to cost of funds and Treasury securities indices and are limited generally to 1.5-2.0% per adjustment period and 5-6% over the life of the loan.

COMMERCIAL REAL ESTATE LOANS

Current regulations permit federal institutions to invest up to 400% of their capital in commercial real estate loans. At September 30, 1996, the Bank had 276% of its capital invested in commercial real estate loans. The commercial real estate loans originated by the Bank are primarily secured by multi-family apartment buildings, shopping centers, office buildings and other income-producing properties. The interest rates on commercial real estate loans presently offered by the Bank generally adjust every one to three years. The rate is generally determined by reference to money center banks' prime rates. The Bank's commercial real estate loans have various terms, with the payments based on a 15 to 25 year amortization schedule and have balloon maturities of 5 to 7 years. The Bank generally requires that such loans have a minimum debt service coverage of 1.15 and a loan-to-value ratio of not more than 90%.

Commercial real estate lending entails significant additional risks compared to residential lending. Commercial real estate loans typically involve large loan balances to single borrowers or groups of related borrowers. The payment experience of such loans typically depends upon the successful operation of the real estate project. These risks can be significantly affected by supply and demand conditions in the market for office and retail space and for apartments, and as such may be subject, to a greater extent than residential real estate loans, to adverse conditions in the economy. In dealing with these risk factors, the Bank generally limits itself to a real estate market or to borrowers with which it is familiar and sells a portion of its commercial real estate loans. The Bank concentrates on originating commercial real estate loans secured by properties generally located within its primary market area, although the Bank will continue, on a limited basis, to originate commercial real estate loans secured by properties located in other parts of Georgia and in other states.

CONSTRUCTION LOANS

The Bank originates construction loans on single family residences. Such construction loans generally have a term of 12 months or less. The interest rates charged by the Bank on construction loans are determined by reference to the prime rate charged by money center banks and vary depending upon the type of property, the loan amount and the credit worthiness of the borrower. The Bank generally requires personal guarantees of payment from the principals of the borrowing entities for the full amount of the loan, and it is the policy of the Bank to enforce guarantees in the event of non-payment of the loan.

The Bank also originates construction loans on multi-family and commercial real estate. The interest rates on such loans presently offered by the Bank are also determined by reference to the prime rate charged by money center banks. Multi-family and commercial real estate construction financing generally exposes the lender to a greater risk of loss than long-term financing on improved, occupied real estate, due in part to the fact that the loans are underwritten on projected rather than historical income and rental results. The Bank's risk of loss on such loans depends largely upon the accuracy of the initial appraisal of the property's value at completion of construction and the estimated cost (including interest) of completion. If either estimate proves to have been inadequate and the borrower is unable to provide additional funds pursuant to his or her guarantee, the Bank either may be required to advance funds beyond the amount originally committed to permit completion of the development or be confronted at the maturity of the loan with a project whose value is insufficient to assure full repayment.

The Bank's underwriting criteria are designed to evaluate and to minimize the risks of each commercial real estate construction loan. The Bank considers evidence of the financial stability and reputation of both the borrower and the contractor, the amount of the borrower's cash equity in the project, independent evaluation and review of the building costs, local market conditions, pre-construction sales and leasing information based upon evaluation of similar projects, the use of independent engineers to examine plans and monitor construction and the borrower's cash flow projections upon completion. The Bank may require a performance bond in the amount of the construction contract based on management's evaluation of the project and the financial strength of the contractor and also requires personal guaranties of payment by the principals of any borrowing entity. At September 30, 1996, approximately $11,417,553 of the Bank's loan portfolio consisted of construction loans.

CONSUMER LOANS

Current regulations permit federal savings institutions to invest up to 35% of their assets in consumer loans. The Bank currently offers a wide variety of consumer loans including secured and unsecured personal loans (such as home improvement loans and loans secured by savings accounts), automobile, boat and other loans. Total consumer loans amounted to approximately $9,447,481 at September 30, 1996.

The Bank markets consumer loans in order to provide a full range of retail banking services to its customers and because of the shorter term and normally higher interest rates on such loans. The Bank's underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of his or her ability to meet existing obligations and to make payments on the proposed loan. Loan-to-value, cash equity and debt service-to-income ratios are also generally considered. Risks associated with consumer loans include, but are not limited to, fraud, deteriorated or non-existing collateral, general economic downturn, and customer financial problems.

COMMERCIAL LOANS

Current regulations authorize federal thrift institutions to make secured and unsecured loans for commercial, corporate, business and agricultural purposes, including issuing letters of credit. The aggregate amount of such loans outstanding generally may not exceed 10% of the institution's assets.

The Bank makes commercial loans primarily on a secured basis. Substantially all of such loans to date have interest rates which adjust with changes in the prime rate charged by money center banks. The Bank's commercial loans primarily consist of short-term loans for working capital purposes, seasonal loans, lines of credit, accounts receivable loans and inventory loans. The Bank customarily requires personal guaranties of payment by the principals of any borrowing entity and reviews the financial statements and income tax returns of the guarantors generally on an annual basis. At September 30, 1996, the Bank had approximately $7,891,541 outstanding in commercial loans. Risks associated with these loans can be significant. Risks include, but are not limited to, fraud, bankruptcy, deteriorated or non-existing collateral, general economic downturn, and changes in interest rates.

LOAN SOLICITATION AND PROCESSING

The Bank actively solicits mortgage loan applications from existing customers, walk-ins, referrals, builders and real estate brokers. Commercial real estate loan applications are also obtained through direct solicitation.

Detailed loan applications are obtained to determine the borrower's ability to repay, and the more significant items on these applications are verified through the use of credit reports, financial statements and confirmations. After analysis of the loan applications and property or collateral involved, including an appraisal of the property by independent appraisers approved by the Bank's management, the lending decision is made in accordance with the underwriting guidelines of the Bank. With respect to commercial loans, the Bank also reviews the capital adequacy of the business, the ability of the borrower to repay the loan and honor its other obligations, and general economic and industry conditions. All applications for loans greater than $250,000 but less than $500,000 require the approval of the Bank's Loan Committee, which consists of the Bank's president and three outside directors. All loan applications in excess of $500,000 must be approved by the full Board of Directors.

Loan applicants are promptly notified of the decision of the Bank, together with the terms and conditions of the decision. In this regard, the Bank seeks to handle loan processing and origination faster than its competition. If approved, these terms and conditions include the amount of the loan, interest rate basis, amortization term, a brief description of the real estate to be mortgaged to the Bank, notification that insurance coverage must be maintained to protect the Bank's interest and any other special conditions.

It is the Bank's policy to obtain a title insurance policy insuring that the Bank has a valid first lien on the mortgaged real estate and that the property is free of encumbrances. Borrowers are also to obtain paid hazard insurance policies prior to closing and, when the property is in a flood plain as designated by the Department of Housing and Urban Development, paid flood insurance policies. It is the Bank's policy to require flood insurance for the full insurable value of the improvements for any such loan located in a designated flood hazard area. In certain coastal areas, however, there are limits on the amount of insurance available. Substantially all borrowers are also required to advance funds on a monthly basis, together with each payment of principal and interest, to a mortgage escrow account from which the Bank makes disbursements for items such as real estate taxes, hazard insurance premiums and private mortgage insurance premiums. See "Lending Activities - General" regarding the Bank's recent efforts to ensure compliance with federal regulations pertaining to flood insurance, Truth-In-Lending, and the Community Reinvestment Act.

LOAN ORIGINATIONS, SALES AND PURCHASES

It is a policy of the Bank not to originate for its own portfolio any long term fixed rate mortgage loans. The Bank instead originates long term fixed rate mortgages to be brokered out to various mortgage lenders. The Bank may sell its commercial real estate and construction loans, generally retaining a percentage of the loans in its own portfolio. Loan sales provide additional funds for lending, generate income for the Bank and generally reduce exposure to interest rate risk. The Bank generally continues to collect payments on the loans and otherwise to service the loans sold. The Bank retains a portion of the interest paid by the borrower on these loans as consideration for its servicing loans sold to others. At September 30, 1996, the Bank was servicing loans for others of approximately $2,003,000.

The Bank has purchased a number of loans in the past, and intends to consider future purchases of residential mortgage loans as market conditions warrant. The Bank has also sold loans in the past and, similarly, intends to consider future sales as conditions warrant.

It is the current intention of management to continue offering residential fixed rate mortgage loans through the Bank's brokerage lending arrangement and to continue offering adjustable rate instruments to be held in the Bank's portfolio.

LOAN COMMITMENTS

Upon loan approval, short-term commitments of 45 days are issued to the applicant and in most cases provide for the loan to be closed at the prevailing rate of interest as of the date of approval. At September 30, 1996 the Bank had loan commitments outstanding of approximately $142,000 excluding the undisbursed portion of loans in process.

LOAN ORIGINATION FEES

Beginning October 1, 1988, the Bank prospectively adopted Statement of Financial Accounting Standards No. 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases". This standard requires the Bank to defer and amortize loan origination fees, net of certain direct origination costs incurred, and to recognize such fees over the life of the related loan as a yield adjustment.

The Bank also receives other fees and charges relating to existing loans along with late charges and fees collected in connection with a change in borrower or other loan modifications.

DELINQUENCIES AND ASSET CLASSIFICATIONS

The Bank's collection procedures provide that when a loan is 15 days past due, the borrower will be contacted by mail and payment requested. If the delinquency continues, subsequent efforts will be made to contact the delinquent borrower. In certain instances, the Bank may modify the loan or grant a limited moratorium on loan payments to enable the borrower to reorganize his or her financial affairs. If the loan continues in a delinquent status for 90 days or more, the Bank generally will initiate foreclosure proceedings, but there is no requirement that the Bank defer foreclosure proceedings or other enforcement action. Any property acquired as the result of foreclosure is classified as real estate acquired in settlement of loans until such time as it is sold or otherwise disposed of by the Bank to recover its investment.

As a measure of the soundness of a thrift institution's loans, federal regulatory authorities have developed the concept of asset classification and have established four categories of problem assets: "Special Mention," "Substandard," "Doubtful" and "Loss". Assets designated Special Mention do not require that a bank take any specific action. For assets classified Substandard or Doubtful, a bank's examiner is authorized to direct the establishment of a general allowance for loan losses based on the assets classified and the overall quality of the bank's asset portfolio. This valuation allowance must be established in accordance with generally accepted accounting principles. For assets or portions of assets classified Loss, a bank is required either to establish specific allowances of 100% of the amount so classified, or to charge off such amount. These specific allowances or charge offs must also be established in accordance with generally accepted accounting principles.

The Bank is responsible for determining the valuation and classification of its assets, subject to review by regulatory authorities. Portions of an asset may be classified in more than one category.

An asset will be designated Special Mention if it does not justify a classification of Substandard but does constitute undue and unwarranted credit risk to the Bank. An asset will be classified Substandard if it is determined to involve a distinct possibility that the Bank may sustain some loss if deficiencies associated with the loan, such as inadequate documentation, are not corrected. An asset will be classified as Doubtful if full collection is highly questionable or improbable. An asset will be classified as Loss if it is considered uncollectible, even if a partial recovery may be expected in the future.

The Bank closely monitors its classified loans and actively attempts to dispose of real estate acquired in settlement of loans. Real estate acquired through foreclosure is appraised when acquired and is recorded at the lower of cost or fair market value.

At September 30, 1996, the following amounts of loans were classified as follows:

Special Mention	$2,161,000
Substandard	1,976,000
Doubtful	-
Loss	-
	$4,137,000

NONACCRUAL, PAST DUE AND RESTRUCTURED LOANS

The Bank has approximately $1,951,000 of loans in nonaccrual status at September 30, 1996. The Bank had approximately $2,061,000 of loans in nonaccrual status at September 30, 1995. The Bank has had no restructured loans. ("Management's Discussion and Analysis of Financial Condition and Results of Operations - Provision for Loan Losses" in the Company's Annual Report is incorporated by reference herein.) Had all nonaccrual loans at September 30, 1996 actually accrued interest for the full fiscal year, approximately $93,000 of additional interest income would have been added to fiscal 1996 earnings.

Accrual of interest is discontinued when either principal or interest become 90 days past due unless, in management's opinion, the loan is well secured and in the process of collection.

ALLOWANCE FOR LOAN LOSSES

For a detailed analysis of the allowance for loan losses, Management's Discussion and Analysis of Financial Condition and Results of Operations - Provision for Loan Losses is incorporated by reference from the Annual Report to Shareholders herein.

The Company has allocated the allowance for possible loan losses according to the amount deemed to be reasonably necessary to provide for the possibility of losses being incurred within the categories of loans set forth in the table below. This allocation is based on management's evaluation of the loan portfolio under current economic conditions, past loan loss experience, adequacy and nature of collateral, and such factors which, in the judgment of management, deserve recognition in estimating loan losses. Regulatory agencies, as an integral part of their examination process, periodically review the Company's allowances for possible losses on loans and real estate acquired through foreclosure and other nonperforming assets. Such agencies may require the Company to make additions to the allowance based on their judgments about information available to them at the time of their examination. Because the allocation is based on estimates and subjective judgment, it is not necessarily indicative of the specific amounts or loan categories in which charge-offs may occur.

The allocation of the allowance for possible loan losses to the various loan categories and the ratio of each loan category to total loans outstanding at September 30, 1996 and 1995 are presented in the following table.

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSS

(IN THOUSANDS)	September 30, 1996 Amount	Percent of loans in each category to total loans	September 30, 1995 Amount	Percent of loans in each category to total loans
Balance at end of period applicable to:				
Commercial, financial, and agricultural	$ 89	6.40%	18	5.28%
Real estate-construction	28	9.25%	52	6.65%
Real estate-mortgage	272	76.70%	386	80.12%
Consumer	20	7.65%	36	7.95%
Unallocated	546	N/A	512	N/A
	$ 955	100.00%	1,004	100.00%

OTHER

The Company has no foreign operations and, accordingly, there are no assets or liabilities attributed to foreign operations.

At September 30, 1996, the Company had no concentration of loans exceeding 10% of total loans to borrowers engaged in any single industry.

INVESTMENT ACTIVITIES

The Bank is required under federal regulations to maintain a minimum amount of liquid assets and is also permitted to make certain other securities investments. It is the intention of management to hold securities with short maturities in the Bank's investment portfolio in order to enable the Bank to match more closely the interest rate sensitivities of its assets and liabilities. All of the Bank's investments are subject to interest rate risk. Since some securities have fixed interest rates, as interest rates rise the value of the securities falls and as rates decline the value increases. In addition, mortgage-backed securities are subject to prepayment risk. As rates fall, prepayments increase and the amount of the security earning the coupon rate declines.

Investment decisions are made by senior officers of the Bank. The actions of the officers are within policies established by the Board of Directors. At September 30, 1996 the investment portfolio totaled approximately $10,325,537.

The following table sets forth the amortized cost, approximate fair value, and weighted average yield of the investment portfolio. The weighted average yield with respect to maturities is also presented.

INVESTMENT SECURITIES ANALYSIS

	Amortized Cost	Weighted Average Yield	Approximate Fair Value
September 30, 1996:			
Investment Securities:			
U.S. Government Agencies	$ 5,500,683	4.71%	5,423,659
Mortgage-backed securities and SBA's	3,704,854	7.62%	3,688,295
State and municipal	870,000	4.12%	866,790
Corporate Bonds	250,000	8.50%	230,000
	$ 10,325,537		10,208,744

	Amortized Cost	Weighted Average Yield	Approximate Fair Value
September 30, 1995:			
Investment Securities:			
U.S. Government Agencies	$ 4,498,377	4.67%	4,337,790
Mortgage-backed securities and SBA's	4,182,601	5.49%	4,233,188
State and municipal	500,000	3.84%	498,300
	$ 9,180,978		9,069,278

A summary of investment and mortgage-backed securities by maturities as of September 30, 1996 follows:

	Amortized Cost	Weighted Average Yield	Approximate Fair Value
Investment Securities:			
Within 1 Year	$ 3,099,391	4.33%	3,082,800
After 1 Year thru 5 Years	3,153,832	5.39%	3,112,882
After 5 Years thru 10 Years	761,320	8.33%	770,869
After 10 Years	3,310,994	7.17%	3,242,193
	$10,325,537		10,208,744

At September 30, 1996 the Company had pledged $8,245,000 of its securities to government and municipal depositors.

INTEREST DIFFERENTIAL

The following table describes the extent to which changes in volume of interest-earning assets and interest-bearing liabilities and changes in interest rates have affected the Bank's interest income and expense during the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to (a) change in volume (change in volume multiplied by old rate) and (b) change in rate (change in rate multiplied by old volume). The net change attributable to the combined impact of volume and rate has been allocated to both components in proportion to the relationship of the absolute dollar amounts of the change in each.

	Year Ended September 30, 1996 vs. Year Ended September 30, 1995		
	Increase (Decrease) Due To		
(In Thousands)	Total	Rate	Volume

Interest income:			
Loans	$ 114	(37)	151
Taxable investment securities	193	101	92
Interest-bearing deposits in other banks	(139)	(40)	(99)
Total interest-earning assets	168	24	144
Interest expense:			
Deposits	337	113	224
Short term debt	186	184	2
Long term debt	(381)	(165)	(216)
Total interest-bearing liabilities	142	132	10
Net interest income	$ 26	(108)	134

	Year Ended September 30, 1995 vs. Year Ended September 30, 1994		
	Increase (Decrease) Due To		
(In Thousands)	Total	Rate	Volume
Interest income:			
Loans	$1,157	1,170	(13)
Taxable investment securities	150	101	49
Interest-bearing deposits in other banks	106	110	(4)
Total interest-earning assets	1,413	1,381	32
Interest expense:			
Deposits	859	791	68
Short term debt	8	14	(6)
Long term debt	(4)	191	(195)
Total interest-bearing liabilities	863	996	(133)
Net interest income	$ 550	385	165

RETAIL BANKING ACTIVITIES AND SOURCES OF FUNDS

GENERAL

The Bank's retail banking activities consist of attracting deposits and making consumer and commercial loans. A principal objective of the Bank is to establish a total banking relationship, including a deposit relationship as well as a lending relationship, between the Bank and the customer.

Savings accounts and other types of deposits generated by the Bank's retail banking division are the primary source of the Bank's funds for use in lending and for other general business purposes. In addition to savings accounts, the Bank derives funds from loan repayments, FHLB advances, other borrowings and operations. Loan repayments are a relatively stable source of funds while deposit inflows and outflows vary widely and are influenced by prevailing interest rates and money market conditions. Borrowings may be used on a short-term basis to compensate for reductions in normal sources of funds such as deposit inflows at less than projected levels and may be used on a longer-term basis to support expanded lending activities. The Bank's sources of borrowings have been advances from the FHLB of Atlanta and obligations under Repurchase Agreements.

DEPOSITS

Savings deposits in the Bank at September 30,

1996 and 1995 were represented by the various types of
programs described as follows:

DEPOSITS AT SEPTEMBER 30, 1996

Type of Account	Term	Minimum Amount	Weighted Average Rate	Balance (Dollars in thousands)	Percentage of Total Deposits
Easy Checking		--	--	$ 1,632	1.34%
Commercial checking		--	--	4,635	3.81%
Now Accounts		750	1.25%	11,598	9.54%
Super NOW and MMDA		1,000	2.35%	2,410	1.98%
Statement Savings		100	2.30%	4,565	3.76%
Certificates of deposit accounts:					
Jumbo certificates	30 days to 5 years	99,000	4.48%	18,298	15.05%
Other time deposits					
3 month	3-5 months	1,000	4.32%	649	0.53%
6 month	6-11 months	1,000	6.35%	6,281	5.17%
1 year	12-17 months	500	5.25%	21,470	17.66%
1.5 years	18-23 months	500	5.27%	199	0.16%
2 years	24-29 months	500	5.30%	11,025	9.07%
2.5 years	30-35 months	500	5.31%	2,524	2.08%
3 years	36-41 months	500	5.35%	5,032	4.14%
3.5 years	42-47 months	500	5.36%	100	0.08%
4 years	48-59 months	500	5.40%	3,853	3.17%
5 years	60 months	500	5.45%	10,944	9.00%
18 month IRA	18 months	500	5.29%	15,747	12.95%
Other	30 day	500	2.78%	593	0.49%
			4.49%	$121,555	100%

Savings deposits at September 30, 1995, including accrued interest
payable, are represented on the next page.

DEPOSITS AT SEPTEMBER 30, 1995

Type of Account	Term	Minimum Amount	Weighted Average Rate	Balance (Dollars in thousands)	Percentage of Total Deposits
Easy Checking		--	--	$ 1,721	1.62%
Commercial checking		--	--	2,882	2.71%
Now Accounts		750	2.41%	11,606	10.89%
Super NOW and MMDA		1,000	2.78%	2,345	2.20%
Statement Savings		100	2.45%	4,713	4.42%
Certificates of deposit accounts:					
Jumbo certificates	30 days to 5 years	99,000	5.34%	12,530	11.76%
Other time deposits					
3 month	3-5 months	1,000	5.35%	2,638	2.48%
6 month	6-11 months	1,000	4.84%	2,705	2.54%
1 year	12-17 months	500	6.18%	22,872	21.47%
1.5 years	18-23 months	500	5.53%	260	0.24%
2 years	24-29 months	500	6.40%	8,691	8.16%
2.5 years	30-35 months	500	5.26%	1,909	1.79%

3 years	36-41 months	500	6.44%	2,476	2.32%
3.5 years	42-47 months	500	5.42%	81	0.08%
4 years	48-59 months	500	6.26%	4,674	4.39%
5 years	60 months	500	6.90%	8,779	8.24%
18 month IRA	18 months	500	6.07%	14,758	13.85%
Other	30 day	500	2.73%	888	0.83%
			5.14%	$106,528	100%

The Bank has a number of different programs designed to attract both short-term and long-term savings of the general public. The programs include commercial demand deposits (checking), NOW accounts, money market deposits accounts (MMDA), traditional passbook savings, time deposits in a minimum amount of $100,000 (Jumbo Certificates), other certificates of deposits and individual retirement accounts (IRAs).

The minimum amount required to open a certificate of deposit for other than retirement accounts varies from $500 to $100,000, depending on the type of deposit. Rates on certificates of deposit are determined weekly by the Bank, based upon local market rates, national money market rates and yields on assets of the same maturity.

The variety of deposit accounts offered by the Bank allows it to be competitive in obtaining new funds, although the threat of disintermediation (the flow of funds away from the Bank into direct investment vehicles, such as mutual funds and government and corporate securities) still exists. The ability of the Bank to attract and retain deposits and the Bank's cost of funds have been, and will continue to be, significantly affected by capital and money market conditions.

The Bank attempts to control the flow of deposits by pricing its accounts to remain generally competitive with other financial institutions in its market area.

The Bank has generated Jumbo Certificates from both local individuals and businesses and from out-of-town individuals and businesses who have ties to its market area. In addition, the Bank accepts public deposits. The Bank responds to requests for rate information but does not accept deposits for which a broker's commission must be paid. As with other deposits, rates on Jumbo Certificates are set in a manner to be competitive in the Bank's market area.

The following table sets forth the composition of deposits, excluding accrued interest payable, by type and interest rate at the dates indicated.

DEPOSITS BY TYPE

	September 30, 1996	1995	1994
Access accounts:			(In thousands)
Commercial checking - 0.00%	$ 6,266	4,602	5,195
NOW account - 1.25%	11,599	11,607	13,684
Super NOW Account - variable rate	-	-	-
Money Market deposit account - variable rate	2,410	2,345	4,106
Statement savings - 2.30%	4,565	4,713	6,122
Certificates of deposit:			
2.75% - 5.00%	6,408	10,134	40,759

5.01% - 7.00%	81,918	52,078	29,701
7.01% - 9.00%	8,389	20,993	3,673
9.01% - 11.00%	-	56	167
Subtotal	121,555	106,528	103,407
Accrued interest	548	527	372
Total	$ 122,103	107,055	103,779

TIME DEPOSIT MATURITIES

Balances at September 30,

Interest Rates	1997	1998	1999	2000	There-after	Total	
	(in thousands)						
2.75% - 5.00%	$ 2,163	2,507	721	1,006	11	6,408	
5.01% - 7.00%	16,133	44,150	15,066	5,717	852	81,918	
7.01% - 9.00%	1,952	4,317		900	343	877	8,389
9.01% - 11.00%	-	-	-	-	-	-	
	$ 20,248	50,974	16,687	7,066	1,740	96,715	

JUMBO CD MATURITIES

Maturity	September 30, 1996
	(in thousands)
Three Months or Less	$ 550
Three to Six Months	709
Six to Twelve Months	2,870
Over Twelve Months	14,169
Total	$ 18,298

Early withdrawal from a certificate of deposit subjects the depositor to an early withdrawal penalty.

AVERAGE DEPOSIT BY TYPE

(In Thousands)	September 30, 1996 Average Balance	Weighted Avg. Rate	September 30, 1995 Average Balance	Weighted Avg. Rate
Non-interest bearing deposits	$ 5,804	-	$ 5,086	-
NOW's	12,509	1.84%	8,228	2.41%
MMDA's	2,471	2.47%	3,214	2.78%
Savings	4,747	2.28%	5,328	2.45%
Time Deposits	86,891	6.11%	86,113	5.57%
Total Average Deposits	$112,422	5.05%	$107,969	4.95%

LOAN REPAYMENTS

In addition to regularly scheduled repayments, loans are prepaid in full as properties are sold, or are refinanced by the Bank or other lenders, or are satisfied in full by the borrower. Loan repayments constitute a major source of funding for the Bank.

BORROWINGS

Savings deposits are the primary source of funds for the Bank's lending and investment activities and for its general business purposes. The Bank has, however, used advances from the FHLB of Atlanta and other borrowings to supplement its supply of lendable funds. Advances from the FHLB are typically secured by a portion of the Bank's first mortgage loans. A summary of the Bank's borrowings from the FHLB is set forth below:

Due during year ending September 30,	Interest Rates	1996	1995
1996	4.98% to 8.55%	$ -	4,448,000
1997	4.93% to 8.45%	4,000,000	4,000,000
1998	5.32% to 7.27%	4,500,000	2,000,000
1999	5.68% to 6.76%	2,100,000	1,000,000
2002	7.90%	500,000	500,000
		$11,100,000	11,948,000

The FHLB System functions as a central reserve bank providing credit for savings institutions. As a member of the FHLB of Atlanta, the Bank is required to own capital stock in the FHLB of Atlanta and is authorized to apply for advances on the security of its home mortgage loans and other assets (primarily, securities which are obligations of, or are guaranteed by, the United States) provided certain standards related to creditworthiness have been met.

The FHLB offers several different credit programs each with its own interest rate and term. It prescribes the acceptable uses for advances as well as size limitations. The FHLB periodically reviews its credit limitations and standards. Under its current policies, the FHLB limits its advances based on a member institution's net worth or the FHLB's assessment of the institution's creditworthiness.

The Company has also established a line of credit with a Georgia financial institution in the amount of $1,000,000. The interest rate floats at one-half percent over the prime rate. The Company pledged all of the outstanding stock in the Bank as collateral for the line. As of September 30, 1996, $92,000 was outstanding and the proceeds have been invested in the Bank.

The following table sets forth certain information regarding borrowings by the Bank at the end of and during the periods indicated:

FEDERAL HOME LOAN BANK ADVANCES

	At September 30,		
	1996	1995	1994
Balance outstanding	$ 11,100,000	11,948,000	16,748,000
Weighted average rate	6.44%	7.10%	6.56%
Maximum amount of short term borrowings outstanding at any month end	5,198,000	4,448,000	5,300,000
Approximate average short-term borrowings outstanding	4,092,000	2,157,000	125,000
Approximate weighted average paid on short-term borrowings(1)	7.27%	5.90%	7.43%

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(1) The average method used is the average end of month totals.

EMPLOYEES

At September 30, 1996, the Bank employed 83 full-time equivalent employees. Management considers relations with its employees to be excellent. The Bank currently maintains a comprehensive employee benefits program including, among other benefits, hospitalization and major medical insurance, life insurance, dental insurance, long term disability, a 401(k) plan and educational assistance. Management considers these benefits to be generally competitive with those offered by competing financial institutions in its market area. The Bank's employees are not represented by any collective bargaining group.

COMPETITION

The Bank's primary market area is southeastern Georgia. The Bank competes for loans primarily through referrals and quality of the services it provides to borrowers and home builders. It competes for savings by offering depositors a wide variety of savings accounts, checking accounts, NOW accounts, convenient office locations, tax-deferred retirement programs and other services.

Federal deregulation of financial institutions has contributed to the dramatic increase in competition for savings dollars between savings institutions and other types of investment vehicles, such as money market mutual funds, U.S. Treasury securities and municipal bonds, and also due to an increase in competition with commercial banks for loans, checking accounts and other types of financial services. In addition, large conglomerates and investment banking firms have entered the market for financial services. Accordingly, the Bank, like other institutions, faces increased competition in the future in attracting and retaining customers for the services it offers.

SUPERVISION AND REGULATION

Savings and loan holding companies, such as the Company, and federal savings banks, such as the Bank, are extensively regulated under both Federal and state law. The following is a brief summary of certain statutes and rules and regulations that affect the Company and the Bank. This summary is qualified in its entirety by reference to the particular statute and regulatory provision referred to below and is not intended to be an exhaustive description of the statutes or regulations applicable to the business of the Company and the Bank. Supervision, regulation and examination of the Company and the Bank by the regulatory agencies are intended primarily for the protection of depositors rather than shareholders of the Company. The terms savings association, federal savings bank and thrift are used interchangeably in the section.

SAVINGS AND LOAN HOLDING COMPANY REGULATION. The Company is a registered holding company under both the Savings and Loan Holding Company Act (the "SLHCA") set forth in Section 10 of the Home Owners Loan Act ("HOLA") and the Georgia Bank Holding Company Act. The Company is regulated under such acts by the Office of Thrift Supervision (the "OTS") and by the Department of Banking, respectively. As a savings and loan holding company, the Company is required to file with the OTS an annual report and such additional information as the OTS may require pursuant to the SLHCA. The OTS also conducts examinations of the

Company and each of its subsidiaries.

Savings and loan holding companies and their subsidiaries are prohibited from engaging in any activity or rendering any services for or on behalf of their savings institution subsidiaries for the purpose or with the effect of evading any law or regulation applicable to the institution. This restriction is designed to prevent the use of holding company affiliates to evade requirements of the SLHCA that are designed to protect the holding company's savings institution subsidiaries. A unitary holding company, that is, a holding company that owns only one insured institution whose subsidiary institution satisfies the qualified thrift lender test (discussed below), is not restricted to the statutorily prescribed list of permissible activities, and the SLHCA imposes no limits on direct or indirect non-savings institution subsidiary operations.

The SLHCA makes it unlawful for any savings and loan holding company, directly or indirectly, or through one or more subsidiaries or one or more transactions, to acquire control of another savings association or another savings and loan holding company without prior approval from the OTS. An acquisition by merger, consolidation or purchase of assets of such an institution or holding company or of substantially all of the assets of such an institution or holding company is also prohibited without prior OTS approval. When considering an application for such an acquisition, the OTS takes into consideration the financial and managerial resources and future prospects of the prospective acquiring company and the institution involved. This includes consideration of the competence, experience and integrity of the officers, directors and principal shareholders of the acquiring company and savings institution. In addition, the OTS considers the effect of the acquisition on the institution, the insurance risk to the Savings Association Insurance Fund ("SAIF") and the convenience and needs of the community to be served.

The OTS may not approve an acquisition that would result in the formation of certain types of interstate holding company networks. The OTS is precluded from approving an acquisition that would result in the formation of a multiple holding company controlling institutions in more than one state unless the acquiring company or one of its savings institution subsidiaries is authorized to acquire control of an institution or to operate an office in the additional state pursuant to a supervisory acquisition authorized under Section 13(k) of the Federal Deposit Insurance Act or unless the statutes of the state in which the institution to be acquired is located permits such an acquisition.

The "Georgia Interstate Banking Act," which became effective July 1, 1995, provides that (I) interstate acquisitions by institutions located in Georgia are permitted in states which also allow national interstate acquisitions, and (ii) interstate acquisitions of institutions located in Georgia are permitted by institutions located in states which also allow national interstate acquisitions; provided, however, that if the board of directors of a Georgia savings and loan institution adopts a resolution to except such thrift or holding company from being acquired pursuant to the provisions of the Georgia Interstate Banking Act and properly files a certified copy of such resolution with the Georgia Department, such savings and loan institution or holding company may not be acquired by an institution located outside of the State of Georgia.

Savings and loan holding companies are allowed to acquire or to retain as much as 5% of the voting shares of a savings institution or savings and loan holding company without regulatory approval.

BANK REGULATION.

GENERAL. The Bank is a federal savings bank organized under the laws of the United States subject to examination by the OTS. The OTS regulates all areas of the Bank's banking operations including reserves, loans, mergers, payment of dividends, interest rates, establishment of branches, and other aspects of operations. OTS regulations generally provide that federal savings banks must be examined no less frequently than every 12 months, unless the federal savings bank (I) has assets of less than $250 million; (ii) is well capitalized; (iii) was found to be well managed and its composite condition was found to be outstanding (or good, if the bank had total assets of not more than $100,000) during its last examination; (iv) is not subject to a formal enforcement proceeding or an order from the FDIC or another banking agency; and (v) has not undergone a change of control during the previous 12-month period. Federal savings banks must be examined no less frequently than every 18 months. The Bank also is subject to assessments by the OTS to cover the costs of such examinations.

The Bank is also insured and regulated by the Federal Deposit Insurance Corporation (the "FDIC"). The major functions of the FDIC with respect to insured federal savings banks include paying depositors to the extent provided by law in the event an insured bank is closed without adequately providing for payment of the claims of depositors and preventing the continuance or development of unsound and unsafe banking practices.

Subsidiary institutions of a savings and loan holding company, such as the Bank, are subject to certain restrictions imposed by the Federal Reserve Act on any extension of credit to the holding company or any of its subsidiaries, on investment in the stock or other securities thereof, and on the taking of such stock or securities as collateral for loans to any borrower. In addition, a holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with any extension of credit or provision of any property or services.

CAPITAL REQUIREMENTS. OTS regulations require that federal savings banks maintain (I) "tangible capital" in an amount of not less than 1.5% of total assets, (ii) "core capital" in an amount not less than 3.0% of total assets, and (iii) a level of risk-based capital equal to 8% of risk-weighted assets. Under OTS regulations, the term "core capital" generally includes common stockholders' equity, noncumulative perpetual preferred stock and related surplus, and minority interests in the equity accounts of consolidated subsidiaries less unidentifiable intangible assets (other than certain amounts of supervisory goodwill) and certain investments in certain subsidiaries plus 90% of the fair market value of readily marketable purchased mortgage servicing rights ("PMSRs") and purchased credit card relationships (subject to certain conditions). "Tangible capital" generally is defined as core capital minus intangible assets and investments in certain subsidiaries, except PMSRs.

In determining total risk-weighted assets for purposes of the risk-based requirement, (I) each off-balance sheet asset must be converted to its on-balance sheet credit equivalent amount by multiplying the face amount of each such item by a credit conversion factor ranging from 0% to 100% (depending upon the nature of the asset), (ii) the credit equivalent amount of each off-balance sheet asset and each on-balance sheet asset must be multiplied by a risk factor ranging from 0% to 200% (again depending upon the nature of the asset) and (iii) the resulting amounts are added together and constitute total risk-weighted assets. "Total capital," for purposes of the risk-based capital requirement equals the sum of core capital plus supplementary capital (which, as defined, includes the sum of, among other items, perpetual preferred stock not counted as core capital, limited life preferred stock, subordinated debt, and general loan and lease loss allowances up to 1.25% of risk-weighted assets) less certain deductions. The amount of supplementary capital that may be counted towards satisfaction of the total capital requirement may not exceed 100% of core capital, and OTS regulations require the maintenance of a minimum ratio of core capital to total risk-weighted assets of 4%.

OTS regulations have been amended to include an interest-rate risk component to the risk-based capital requirement. Under this regulation, an institution is considered to have excess interest rate-risk if, based upon a 200-basis point change in market interest rates, the market value of an institution's capital changes by more than 2%. This new requirement, application of which has been delayed indefinitely by the OTS, is not expected to have any material effect on the ability of the Bank to meet the risk-based capital requirement. The OTS also revised its risk-based capital standards to ensure that its standards provide adequately for concentration of credit risk, risk from nontraditional activities and actual performance and expected risk of loss on multi-family mortgages.

Capital requirements higher than the generally applicable minimum requirement may be established for a particular savings association if the OTS determines that the institution's capital was or may become inadequate in view of its particular circumstances.

Additionally, the Department of Banking requires that savings and loan holding companies, such as the Company, must maintain a 5% Tier 1 leverage ratio on a consolidated basis.

PROMPT CORRECTIVE ACTION. The Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDIC Act") imposes a regulatory matrix which requires the federal banking agencies, which include the OTS, the FDIC, the Office of the Comptroller of Currency (the "OCC"), and the Federal Reserve Board, to take prompt corrective action to deal with depository institutions that fail to meet their minimum capital requirements or are otherwise in a troubled condition. The prompt corrective action provisions require undercapitalized institutions to become subject to an increasingly stringent array of restrictions, requirements and prohibitions, as their capital levels deteriorate and supervisory problems mount. Should these corrective measures prove unsuccessful in recapitalizing the institution and correcting its problems, the FDIC Act mandates that the institution be placed in receivership.

Pursuant to regulations promulgated under the FDIC Act, the corrective actions that the banking agencies either must or may take are tied primarily to an institution's capital levels. In accordance with the framework adopted by the FDIC Act, the banking agencies have developed a classification system, pursuant to which all banks and thrifts will be placed into one of five categories: well-capitalized institutions, adequately capitalized institutions, undercapitalized institutions, significantly undercapitalized institutions and critically undercapitalized institutions. The capital thresholds established for each of the categories are as follows:

CAPITAL CATEGORY	TIER 1 CAPITAL	RISK-BASED CAPITAL	TIER 1 RISK-BASED CAPITAL	OTHER
Well-Capitalized	5% or more	10% or more	6% or more	Not subject to a capital directive
Adequately Capitalized	4% or more	8% or more	4% or more	---
Undercapitalized	less than 4%	less than 8%	less than 4%	---
Significantly Undercapitalized	less than 3%	less than 6%	less than 3%	---
Critically Undercapitalized	2% or less tangible equity	---	---	---

The undercapitalized, significantly undercapitalized and critically undercapitalized categories overlap; therefore, a critically undercapitalized institution would also be an undercapitalized institution and a significantly undercapitalized institution. This overlap ensures that the remedies and restrictions prescribed for undercapitalized institutions will also apply to institutions in the lowest two categories.

The down-grading of an institution's category is automatic in two situations: (I) whenever an otherwise well-capitalized institution is subject to any written capital order or directive, and (ii) where an undercapitalized institution fails to submit or implement a capital restoration plan or has its plan disapproved. The federal banking agencies may treat institutions in the well-capitalized, adequately capitalized and undercapitalized categories as if they were in the next lower capital level based on safety and soundness considerations relating to factors other than capital levels.

The FDIC Act prohibits all insured institutions regardless of their level of capitalization from paying any dividend or making any other kind of capital distribution or paying any management fee to any controlling person if following the payment or distribution the institution would be undercapitalized. While the prompt corrective action provisions of the FDIC Act contain no requirements or restrictions aimed specifically at adequately capitalized institutions, other provisions of the FDIC Act and the agencies' regulations relating to deposit insurance assessments, brokered deposits and interbank liabilities treat adequately capitalized institutions less favorably than those that are well-capitalized.

A depository institution that is not well capitalized is prohibited from accepting deposits through a deposit broker. However, an adequately capitalized institution can apply for a waiver to accept brokered deposits. Institutions that receive a waiver are subject to limits on the rates of interest they may pay on brokered deposits.

Undercapitalized institutions are prohibited from offering rates of interest on insured deposits that significantly exceed the prevailing rate in their normal market area or the area in which the deposits would otherwise be accepted. Institutions classified as undercapitalized are precluded from increasing their assets, acquiring other institutions, establishing additional branches, or engaging in new lines of business without an approved capital plan and an agency determination that such actions are consistent with the plan.

Savings associations that are significantly undercapitalized may be required to take one or more of the following actions: (I) raise additional capital so that the institution will be adequately capitalized; (ii) be acquired by, or combined with, another institution if grounds exist for appointing a receiver; (iii) refrain from affiliate transactions; (iv) limit the amount of interest paid on deposits to the prevailing rates of interest in the region where the institution is located; (v) further restrict asset growth; (vi) hold a new election for directors, dismiss any director or senior executive officer who held office for more than 180 days immediately before the institution became undercapitalized, or employ qualified senior executive officers; (vii) stop accepting deposits from correspondent depository institutions; and (viii) divest or liquidate any subsidiary which the OTS determines poses a significant risk to the institution.

Significantly undercapitalized institutions are subject to the same mandatory sanctions and discretionary actions applicable to all undercapitalized institutions. In addition, a significantly undercapitalized institution is prohibited from paying any bonus or giving a raise to any senior executive officer without prior agency approval. A significantly undercapitalized institution will be required to (I) sell sufficient shares or obligations to restore its capital compliance or be acquired by another institution, (ii) restrict the institution's transactions with affiliates, and (iii) limit the interest rates paid by the institution on its deposits. The banking agencies are also given the option to impose one or more of the activities restrictions that are applicable to critically undercapitalized institutions.

Critically undercapitalized institutions must be placed in conservatorship or receivership within ninety (90) days unless both the institution's regulator and the FDIC agree that some other course of action ultimately would result in a lower cost solution. If the regulators decide to keep a critically undercapitalized institution open, they must reassess their decision every ninety (90) days and document the reasons why they elected not to appoint a conservator or receiver. Further, if an institution continues to be critically undercapitalized on average for four quarters after falling below two percent (2%) tangible capital, the regulatory agencies are required to place the institution in receivership, unless it (I) has positive net worth, (ii) is in substantial compliance with an approved capital restoration plan, (iii) is profitable or has a sustainable upward trend in earnings, and (iv) has reduced its ratio of non-performing loans to total loans. In addition, the institution's regulator and the FDIC must certify that the institution is viable and is not expected to fail.

Critically undercapitalized institutions that are allowed to remain open are subject to all the requirements and restrictions discussed above that either automatically apply to or may be imposed on undercapitalized and significantly undercapitalized institutions. In addition, beginning sixty (60) days after it becomes critically undercapitalized, an institution is generally prohibited from paying any interest or principal on its subordinated debt. Critically undercapitalized institutions are also required to obtain prior FDIC approval for a number of activities, including (I) entering into any material transaction other than in the usual course of business, (ii) extending credit for any highly leveraged transaction, (iii) amending their charter or bylaws, (iv) making any material change in accounting methods, (v) engaging in any affiliate transactions under Section 23A of the Federal Reserve Act, (vi) paying "excessive" compensation or bonuses, and (vii) paying interest on new or renewed liabilities so as to increase the institution's weighted average cost of funds significantly above the prevailing interest rates for deposits in the institution's normal market.

Capital Distributions. An OTS rule imposes limitations on all capital distributions by savings associations (including dividends, stock repurchases and cash-out mergers). Under the current rule, a savings association is classified as a Tier 1 institution, a Tier 2 institution or a Tier 3 institution, depending on its level of regulatory capital both before and after giving effect to a proposed capital distribution. Under a proposed rule, the OTS would conform its three classifications to the five capital classifications set forth under the prompt corrective action regulations. Under the proposal, institutions that are at least adequately capitalized would still be required to provide prior notice. Well capitalized institutions could make capital distributions without prior regulatory approval in specified amounts in any calendar year.

A Tier 1 institution (i.e., one that both before and after a proposed capital distribution has net capital equal to or in excess of its capital requirements) may, subject to any otherwise applicable statutory or regulatory requirements or agreements entered into with the regulators, make capital distributions in any calendar year up to 100% of its net income to date during the calendar year plus the amount that would reduce by one-half its "surplus capital ratio" (i.e., the percentage by which the association's capital-to-assets ratio exceeds the ratio of its fully phased-in capital requirement to its assets) at the beginning of the calendar year. No regulatory approval of the capital distribution is required, but prior notice must be given to the OTS.

A Tier 2 institution (i.e., one that both before and after a proposed capital distribution has net capital equal to its then-applicable minimum capital requirement but which fails to meet its fully phased-in capital requirement either before or after the distribution) may, after prior notice but without the approval of the OTS, make capital distributions of up to: (I) 75% of its net income over the most recent four quarter period if it satisfies the applicable risk-based capital standard; or (ii) 50% of its net income over the most recent four quarter period if it satisfies the applicable risk-based capital standard. In calculating an institution's permissible percentage of capital distributions, previous distributions made during the previous four quarter period must be included. Tier 2 institutions may not make capital distributions in excess of the above limitations without the prior written approval of the OTS.

A Tier 3 institution (i.e., one that either before or after a proposed capital distribution fails to meet its then applicable minimum capital requirement) may not make any capital distributions without the prior written approval of the OTS. In addition, the OTS may prohibit a proposed capital distribution, which would otherwise be permitted by the regulation, if the OTS determines that such distribution would constitute an unsafe or unsound practice. Also, an institution meeting the Tier 1 criteria which has been notified that it needs more than normal supervision will be treated as a Tier 2 or Tier 3 institution, unless the OTS deems otherwise.

LIQUIDITY. Under applicable federal regulations, savings associations are required to maintain an average daily balance of liquid assets (including cash, certain time deposits, certain bankers' acceptances, certain corporate debt securities and highly rated commercial paper, securities of certain mutual funds and specified United States government, state or federal agency obligations) equal to a monthly average of not less than a specified percentage of the average daily balance of the savings association's net withdrawable deposits plus short-term borrowings. Under HOLA, this liquidity requirement may be changed from time to time by the OTS to any amount within the range of 4% to 10% depending upon economic conditions and the deposit flows of member institutions, and currently is 5%. Savings institutions also are required to maintain an average daily balance of short-term liquid assets at a specified percentage (currently 1%) of the total of the average daily balance of its net withdrawable deposits and short-term borrowings.

EQUITY INVESTMENTS. The OTS has revised its risk-based capital regulation to modify the treatment of certain equity investments and to clarify the treatment of other equity investments. Equity investments that are permissible for both savings banks and national banks will no longer be deducted from savings associations' calculations of total capital over a five-year period. Instead, permissible equity investments will be placed in the 100% risk-weight category, mirroring the capital treatment prescribed for those investments when made by national banks under the regulations of the OCC. Equity investments held by savings associations that are not permissible for national banks must still be deducted from assets and total capital.

QUALIFIED THRIFT LENDER REQUIREMENT. A federal savings bank is deemed to be a "qualified thrift lender" ("QTL") as long as its "qualified thrift investments" equal or exceed 65% of its "portfolio assets" on a monthly average basis in nine out of every 12 months. Qualified thrift investments generally consist of (I) various housing related loans and investments (such as residential construction and mortgage loans, home improvement loans, mobile home loans, home equity loans and mortgage-backed securities), (ii) certain obligations of the FDIC (including the Federal Savings and Loan Insurance Corporation) and (iii) shares of stock issued by any FHLB, the FHLMC or the FNMA. In addition, the following assets may be categorized as qualified thrift investments in an amount not to exceed 20% in the aggregate of portfolio assets: (I) 50% of the dollar amount of residential mortgage loans originated and sold within 90 days of origination; (ii) investments in securities of a service corporation that derives at least 80% of its income from residential housing finance; (iii) 200% of loans and investments made to acquire, develop or construct starter homes or homes in credit needy areas (subject to certain conditions); (iv) loans for the purchase or construction of churches, schools, nursing homes and hospitals; and (v) consumer loans (in an amount up to 20% of portfolio assets). For purposes of the QTL test, the term "portfolio assets" means the savings institution's total assets minus goodwill and other intangible assets, the value of property used by the savings institution to conduct its business, and liquid assets held by the savings institution in an amount up to 20% of its total assets.

OTS regulations provide that any savings association that fails to meet the definition of a QTL must either convert to a national bank charter or limit its future investments and activities (including branching and payments of dividends) to those permitted for both savings associations and national banks. Further, within one year of the loss of QTL status, a holding company of a savings association that does not convert to a bank charter must register as a bank holding company and will be subject to all statutes applicable to bank holding companies. In order to exercise the powers granted to federally chartered savings associations and maintain full access to FHLB advances, the Bank must meet the definition of a QTL.

LOANS TO ONE BORROWER LIMITATIONS. HOLA generally requires savings associations to comply with the loans to one borrower limitations applicable to national banks. National banks generally may make loans to a single borrower in amounts up to 15% of their unimpaired capital and surplus, plus an additional 10% of capital and surplus for loans secured by readily marketable collateral. HOLA provides exceptions under which a savings association may make loans to one borrower in excess of the generally applicable national bank limits. A savings association may make loans to one borrower in excess of such limits under one of the following circumstances: (I) for any purpose, in any amount not to exceed $500,000; or (ii) to develop domestic residential housing units, in an amount not to exceed the lesser of $30 million or 30% of the savings association's unimpaired capital and unimpaired surplus, provided other conditions are satisfied. The Federal Institutions Reform, Recovery, and Enforcement Act of 1989 provided that a savings association could make loans to one borrower to finance the sale of real property acquired in satisfaction of debts previously contracted in good faith in amounts up to 50% of the savings association's unimpaired capital and unimpaired surplus. The OTS, however, has modified the third standard by limiting loans to one borrower to finance the sale of real property acquired in satisfaction of debts to 15% of unimpaired capital and surplus. That rule provides, however, that purchase money mortgages received by a savings association to finance the sale of such real property do not constitute "loans" (provided no new funds are advanced and the savings association is not placed in a more detrimental position holding the note than holding the real estate) and, therefore, are not subject to the loans to one borrower limitations.

COMMERCIAL REAL PROPERTY LOANS. HOLA limits the aggregate amount of commercial real estate loans that a federal savings association may make to an amount not in excess of 400% of the savings association's capital.

COMMUNITY REINVESTMENT. Under the Community Reinvestment Act (the "CRA") and the implementing OTS regulations, federal savings banks have a continuing and affirmative obligation to help meet the credit needs of its local community, including low and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. The CRA requires the board of directors of financial institutions, such as the Bank, to adopt a CRA statement for each assessment area that, among other things, describes its efforts to help meet community credit needs and the specific types of credit that the institution is willing to extend. The regulations promulgated pursuant to CRA, contain three evaluation tests: (I) a lending test which will compare the institution's market share of loans in low- and moderate-income areas to its market share of loans in its entire service area and the percentage of a bank's outstanding loans to low- and moderate-income areas or individuals, (ii) a services test which will evaluate the provision of services that promote the availability of credit to low- and moderate-income areas, and (iii) an investment test, which will evaluate an institution's record of investments in organizations designed to foster community development, small- and minority-owned businesses and affordable housing lending, including state and local government housing or revenue bonds. The regulation is designed to reduce the paperwork requirements of the current regulations and provide regulators, institutions and community groups with a more objective and predictable manner with which to evaluate the CRA performance of financial institutions.

FAIR LENDING. Congress and various federal agencies (including, in addition to the bank regulatory agencies, the Department of Housing and Urban Development, the Federal Trade Commission and the Department of Justice) (collectively the "Federal Agencies") responsible for implementing the nation's fair lending laws have been increasingly concerned that prospective home buyers and other borrowers are experiencing discrimination in their efforts to obtain loans. In recent years, the Department of Justice has filed suit against financial institutions that it determined had discriminated, seeking fines and restitution for borrowers who allegedly suffered from discriminatory practices. Most, if not all, of these suits have been settled (some for substantial sums) without a full adjudication on the merits.

On March 8, 1994, the Federal Agencies, in an effort to clarify what constitutes lending discrimination and to specify the factors the agencies will consider in determining if lending discrimination exists, announced a joint policy statement detailing specific discriminatory practices prohibited under the Equal Credit Opportunity Act and the Fair Housing Act. In the policy statement, three methods of proving lending discrimination were identified: (I) overt evidence of discrimination, when a lender blatantly discriminates on a prohibited basis, (ii) evidence of disparate treatment, when a lender treats applicants differently based on a prohibited factor even where there is no showing that the treatment was motivated by prejudice or a conscious intention to discriminate against a person, and (iii) evidence of disparate impact, when a lender applies a practice uniformly to all applicants, but the practice has a discriminatory effect, even where such practices are neutral on their face and are applied equally, unless the practice can be justified on the basis of business necessity.

FDIC INSURANCE ASSESSMENT. Federal deposit insurance is required for all federally chartered savings associations. Deposits at the Bank are insured to a maximum of $100,000 for each depositor by Savings Association Insurance Fund (the "SAIF"). As a SAIF-insured institution, the Bank is subject to regulation and supervision by the FDIC, to the extent deemed necessary by the FDIC to ensure the safety and soundness of the SAIF. The FDIC is entitled to have access to reports of examination of the Bank made by the OTS and all reports of condition filed by the Bank with the OTS. The FDIC also may require the Bank to file such additional reports as it determines to be advisable for insurance purposes. Additionally, the FDIC may determine by regulation or order that any specific activity poses a serious threat to the SAIF and that no SAIF member may engage in the activity directly.

Insurance premiums are paid in semiannual assessments. Under a risk-based assessment system, the FDIC is required to calculate a savings association's semiannual assessment based on (I) the probability that the insurance fund will incur a loss with respect to the institution (taking into account the institution's asset and liability concentration), (ii) the potential magnitude of any such loss, and (iii) the revenue and reserve needs of the insurance fund. The semiannual assessment imposed on the Bank may be higher depending on the SAIF revenue and expense levels, and the risk classification applied to the Bank. Effective January 1, 1998, the FDIC is required to set SAIF semiannual assessments rates in an amount sufficient to increase the reserve ratio of the SAIF to 1.25% of insured deposits over no more than a 15-year period. The FDIC also has the authority to establish a higher reserve ratio.

The deposit insurance assessment rate was increased from 23 cents per one hundred dollars of SAIF assessable deposits (generally all insured accounts subject to certain adjustments) to an assessment rate within the range of 23 cents to 31 cents, depending on the assessment risk classification assigned to each institution. Under the risk-classification system, each SAIF member is assigned to one of three capital groups: "well capitalized," "adequately capitalized," or "less than adequately capitalized," as such terms are defined under the OTS's prompt corrective action regulation (discussed above), except that "less than adequately capitalized" includes any institution that is not well capitalized or adequately capitalized. Within each capital group, institutions are assigned to one of three supervisory subgroups_"healthy" (institutions that are financially sound with only a few minor weaknesses), "supervisory concern" (institutions with weaknesses which, if not corrected could result in significant deterioration of the institution and increased risk to the SAIF) or "substantial supervisory concern" (institutions that pose a substantial probability of loss to the SAIF unless corrective action is taken). The FDIC will place each institution into one of nine assessment risk classifications based on the institution's capital group and supervisory subgroup classification.

Until recently, SAIF premiums had been equivalent to deposit insurance premiums paid by banks on deposits to the Bank Insurance Fund ("BIF"). Deposit insurance premiums were set to facilitate each fund achieving its designated reserve ratios. As each fund achieves its designated reserve ratio, however, the FDIC has the authority to lower the premium assessments for that fund to a rate that would be sufficient to maintain the designated reserve ratio. In August 1995, the FDIC determined that the BIF had achieved its designated reserve ratio and approved lower BIF premium rates for deposit insurance by the BIF for all but the riskiest institutions. On November 14, 1995, the FDIC determined that BIF deposit insurance premiums for well capitalized banks would be further reduced to the statutory minimum of $2,000 per institution per year, effective January 1, 1996. Because the SAIF remained significantly below its designated reserve ratio, insurance premiums for assessable SAIF deposits were not reduced in either FDIC action.

The current financial condition of the SAIF resulted in the adoption of the Deposit Insurance Funds Act of 1996 ("DIFA"), which was enacted on September 30, 1996 as part of the Omnibus Consolidated Appropriations Act. Under DIFA, a special one-time assessment of 65.7 cents per $100 of assessable SAIF deposits was collected on November 27, 1996 and applied retroactively to SAIF deposits as of March 31, 1995. DIFA provides that special assessments will be deductible under Section 162 of the Internal Revenue

Code in the year in which the assessment is paid. After collection of the special assessment, it is expected that the SAIF would achieve its designated reserve ratio and SAIF premium rates would then become the same as BIF rates. DIFA further provides that BIF and SAIF are to be merged, creating the "Deposit Insurance Fund," on January 1, 1999, provided that bank and savings association charters are combined by that date. The Treasury Department is preparing a report to be submitted to Congress by March 31, 1997 on the development of a common charter for all insured depository institutions. See "Supervision and Regulation - Elimination of Federal Savings Charter."

DIFA further assesses premiums for Financing Corporation Bond debt service ("FICO"). Beginning January 1, 1997, FICO premiums for BIF and SAIF will be 1.3 and 6.4 basis points, respectively. Full pro rata sharing of FICO will begin no later than January 1, 2000.

Effective January 1, 1997, SAIF members will have the same risk-based assessment schedule as BIF members, which is 0 to 27 cents per $100 of deposits. FICO assessments of 1.3 cents for BIF deposits and 6.4 cents for SAIF deposits will be added to the BIF-assessable base and SAIF assessable base, respectively, until December 31, 1999. Thereafter, approximately 2.4 cents would be added to each regular assessment for all insured depositors, thereby achieving full pro rata FICO sharing.

The SAIF-assessable base previously was assessed at a rate of 23 to 31 basis points for the fourth quarter as part of the regular annual deposit insurance assessment. Following the enaction of DIFA, the special assessment was booked as an asset by the FDIC effective October 1, 1996, fully capitalizing SAIF as of that date. Consequently, the proposed regular assessment rate for SAIF-member savings associations has been lowered retroactively to 18 to 27 basis points effective October 1, 1996, which represents the amount necessary to cover FICO obligations.

Until January 1, 1997, under the FDIC's interpretation of existing law, FICO payments can be met only from assessments on SAIF-member savings associations. Overpayment of fourth quarter assessments from such institutions, estimated at approximately 1.25 cents per $100 of deposits, will be refunded or credited, with interest, using regular quarterly payment procedures.

The federal banking agencies are required to take action to prevent insured institutions from facilitating or encouraging the shifting of SAIF deposits to BIF deposits for purposes of evading the assessments imposed on SAIF-assessable deposits.

Insurance of deposits may be terminated by the FDIC after notice and hearing, upon a finding by the FDIC that the savings association has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, rule, regulation, order or condition imposed by, or written agreement with, the FDIC. Additionally, if insurance termination proceedings are initiated against a savings association, the FDIC may temporarily suspend insurance on new deposits received by an institution under certain circumstances.

FEDERAL HOME LOAN BANK SYSTEM. The FHLB System consists of 12 regional FHLBs, each subject to supervision and regulation by the Federal Housing Finance Board (the "FHFB"). The FHLBs provide a central credit facility for member savings associations. The maximum amount that the FHLB of Atlanta will advance fluctuates from time to time in accordance with changes in policies of the FHFB and the FHLB of Atlanta, and the maximum amount generally is reduced by borrowings from any other source. In addition, the amount of FHLB advances that a savings association may obtain will be restricted in the event the institution fails to constitute a QTL.

FEDERAL RESERVE SYSTEM. The Federal Reserve Board has adopted regulations that require savings associations to maintain nonearning reserves against their transaction accounts (primarily NOW and regular checking accounts). These reserves may be used to satisfy liquidity requirements imposed by the OTS. Because required reserves must be maintained in the form of cash or a non-interest-bearing account at a Federal Reserve Bank, the effect of this reserve requirement is to reduce the amount of the Bank's interest-earning assets.

Savings institutions also have the authority to borrow from the Federal Reserve "discount window." Federal Reserve Board regulations, however, require savings associations to exhaust all FHLB sources before borrowing from a Federal Reserve bank.

TRANSACTIONS WITH AFFILIATES RESTRICTIONS. Transactions engaged in by a savings association or one of its subsidiaries with affiliates of the savings association generally are subject to the affiliate transaction restrictions contained in Sections 23A and 23B of the Federal Reserve Act in the same manner and to the same extent as such restrictions apply to transactions engaged in by a member bank or one of its subsidiaries with affiliates of the member bank. Section 23A of the Federal Reserve Act imposes both quantitative and qualitative restrictions on transactions engaged in by a member bank or one of its subsidiaries with an affiliate, while Section 23B of the Federal Reserve Act requires, among other things that all transactions with affiliates be on terms substantially the same, and at least as favorable to the member bank or its subsidiary, as the terms that would apply to, or would be offered in, a comparable transaction with an unaffiliated party. Exemptions from, and waivers of, the provisions of Sections 23A and 23B of the Federal Reserve Act may be granted only by the Federal Reserve Board. The HOLA and OTS regulations promulgated thereunder contain other restrictions on loans and extension of credit to affiliates, and the OTS is authorized to impose additional restrictions on transactions with affiliates if it determines such restrictions are necessary to ensure the safety and soundness of any savings association. Current OTS regulations are similar to Sections 23A and 23B of the Federal Reserve Act.

FUTURE REQUIREMENTS. Statutes and regulations are regularly introduced which contain wide-ranging proposals for altering the structures, regulations and competitive relationships of financial institutions. It cannot be predicted whether or what form any proposed statute or regulation will be adopted or the extent to which the business of the Company and the Bank may be affected by such statute or regulation.

ELIMINATION OF FEDERAL SAVINGS ASSOCIATION CHARTER. Legislation that would eliminate the federal savings association charter is under discussion. If such legislation is enacted, the Bank would be required to convert its federal savings bank charter to either a national bank charter or to a state depository institution charter. Pending legislation also may provide relief as to recapture of the bad debt deduction for federal tax purposes that otherwise would be applicable if the Bank converted its charter, provided that the Bank meets a proposed residential loan origination requirement. Various legislative proposals also may result in the restructuring of federal regulatory oversight, including, for example, consolidation of the OTS into another agency, or creation of a new Federal banking agency to replace the various such agencies which presently exist. The Bank is unable to predict whether such legislation will be enacted or, if enacted, whether it will contain relief as to bad debt deductions previously taken.

Item 2. DESCRIPTION OF PROPERTIES

The executive office of the Company and Bank is located at 1703 Gloucester Street, Brunswick, Georgia 31520, and its telephone number at that office is (912) 267-7283. The Bank also has six full-service branch offices. The following table sets forth the addresses of the aforementioned offices, their net book value and the expiration dates of the leases applicable to the offices not owned by the Bank.

Office	Lease Expiration Date	Net Book Value
Executive Office		
1703 Gloucester Street Brunswick, GA 31520	owned	$904,694
Full Service Offices		
Altama Avenue Office 4510 Altama Avenue Brunswick, GA 31520	7/28/2007	---
Demere Village 2461 Demere Road St. Simons Island, GA 31522	owned	$241,218
North Brunswick Office 2001 Commercial Drive South Brunswick, GA 31525	6/27/97	---
Wal-Mart SuperCenter 150 Altama Connector Brunswick, Georgia 31525	10/10/06	---
Waycross-Plant 1010 Plant Avenue Waycross, GA 31501	owned	$206,429
Blackshear 129 Highway 82 East Blackshear, GA 31516	owned	$30,354
Hinesville 404 South Main Hinesville, GA 31313	owned	$206,430

Item 3. LEGAL PROCEEDINGS

Neither the Company nor the Bank is a party to, nor is any of their property the subject of, any material pending legal proceedings, other than ordinary routine litigation incidental to their business, and no such proceedings are known to be contemplated by governmental authorities.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

PART II

Item 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information concerning common stock, shareholders and dividends appears in the Annual Report under the heading "Shareholder Information" and is incorporated by reference herein.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Management's discussion and analysis of the Company's financial condition and its results of operations appears in the Annual Report under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" and is incorporated by reference herein.

Item 7. FINANCIAL STATEMENTS

The consolidated financial statements of the Company and the Bank as of September 30, 1996 and 1995 and for each of the years in the three year period ended September 30, 1996, and the report issued thereon by the Company's independent certified public accountants, appear in the Annual Report and are incorporated herein by reference.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; Compliance with Section 16(a) of the Exchange Act

Information concerning the Company's and the Bank's Directors and Executive Officers appears in the Proxy Statement under the heading "Election of Directors", "Executive Officers", "Ownership of Stock", and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" and is incorporated by reference herein.

Item 10. EXECUTIVE COMPENSATION

Information concerning the compensation of the Company's and the Bank's Management appears in the Proxy Statement under the heading "Executive Compensation" and is incorporated by reference herein.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning beneficial owners of more than 5% of the Company's common stock appears in the Proxy Statement under the heading "Ownership of Stock - Principal Holders of Stock" and is incorporated by reference herein.

Information concerning the common stock owned by the Company's management appears in the Proxy Statement under the heading "Ownership of Stock - Stock Owned by Management" and is incorporated by reference herein.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions appears in the Proxy Statement under the heading "Executive Compensation - Certain Other Transactions" and is incorporated by reference herein.

Item 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The list of documents set forth on the Exhibit Index that immediately follows the last signature page hereof is incorporated herein by reference, and such documents are filed as exhibits to this report on Form 10-KSB.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the year ended September 30, 1996.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST GEORGIA HOLDING, INC.
(Registrant)

BY: HENRY S. BISHOP

Henry S. Bishop
President

Date: DECEMBER 30, 1996

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Henry S. Bishop and G.F. Coolidge III, and each of them, the person's attorneys-in-fact, each with full power of substitution, for the person in his or her name, place and stead, in any and all capacities, to sign any amendment to this Report on form 10-KSB, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission and hereby ratifies and confirms all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

In accordance with the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signatures	Title	Date
HENRY S. BISHOP Henry S. Bishop	President and Director (principal executive officer)	DECEMBER 30, 1996
B.W. BOWIE B.W. Bowie	Director	DECEMBER 30, 1996
TERRY DRIGGERS Terry Driggers	Director	DECEMBER 30, 1996
ROY K. HODNETT Roy K. Hodnett	Director	DECEMBER 30, 1996
HUBERT W. LANG, JR Hubert W. Lang, Jr.	Director	DECEMBER 30, 1996
E. RAYMOND MOCK E. Raymond Mock	Director	DECEMBER 30, 1996
JAMES D. MOORE James D. Moore	Director	DECEMBER 30, 1996
D. LAMONT SHESS D. Lamont Shell	Director	DECEMBER 30, 1996
G.F. COOLIDGE III G.F. Coolidge III	Chief Financial Officer (principal financial and accounting officer)	DECEMBER 30, 1996

EXHIBIT INDEX

Exhibit No.	Document	Page
3.(I)	Articles of Incorporation of First Georgia Holding, Inc. incorporated by reference herein By reference to Appendix B to the Proxy Statement and Prospectus included in the Registration statement on Form S-4 (SEC No. 33-19150), filed December 18, 1987 ("Form S-4"), as amended on December 31, 1987 ("Amendment No. 1")First Georgia Savings Bank, F.S.B. is now known as First Georgia Bank, F.S.B.	N/A
3.(ii)	Amended By-Laws of First Georgia Holding, Inc. incorporated by reference to Exhibit 3(ii) of the Form 10-KSB for the year ended September 30, 1994 (the "1994 10-KSB")	N/A
*10.1	First Georgia Holding, Inc. 1995 Stock Incentive Plan incorporated	

	by reference to Exhibit 10.1 of the Form 10-KSB for the year ended September 30, 1995 (the "1995 10-KSB")	N/A
*10.2	First Georgia Holding, Inc. Employee Stock Purchase Plan incorporated by reference to Exhibit 10.2 of the 1995 10-KSB	N/A
*10.3	Qualified 401 (k) Standardized Profit Sharing Plan, Adoption Agreement, First Georgia Savings Bank, F.S.B., incorporated herein by reference to Exhibit 10.3 of the Form 10-K for the year ended September 30, 1992 (the "1992 10-K")	N/A
*10.4	Qualified Retirement Plan, Basic Plan Document, First Georgia Savings Bank, F.S.B., incorporated herein by reference to Exhibit 10.4 of the 1992 10-K	N/A
13	First Georgia Holding, Inc. 1996 Annual Report	48
21	Subsidiaries of First Georgia Holding, Inc. incorporated by reference to Exhibit 21.6 of the Form 10-KSB for the year ended September 30, 1993 (the "1993 10-KSB)	N/A

Exhibit No.	Document	Page
23	Consent of KPMG Peat Marwick LLP	42
24	A power of attorney is set forth on the signature pages to this Form 10-KSB	44
99.1	The Company's Proxy Statement for the Annual Meeting of Shareholders (the "Proxy")To be held January 21, 1997, incorporated by reference to the Proxy filed December 30, 1996.	N/A

EXHIBIT 13.0
FIRST GEORGIA HOLDING, INC.
1996 ANNUAL REPORT

ANNUAL REPORT

First Georgia:
Its Mission and Markets

First Georgia Holding, Inc. owns 100% of the stock of First Georgia Bank, F.S.B. The Bank is federally chartered and began operations in January 1984. First Georgia develops and provides a full range of financial services encompassing retail banking, real estate, commercial and consumer lending, and a host of related financial products. The Bank currently operates eight full service offices in four Georgia counties.

First Georgia's PRIMARY MISSION is to maximize stockholder value in a prudent manner. We will concentrate on the following principles.

We will maintain high levels of asset quality through conservative lending policies, a vigorous comprehensive credit administration system and a diversified portfolio of earning assets. Interest rate risk will be thoroughly evaluated and controlled.

Our long-term goals for return on equity and assets will be set at the upper levels of peer bank comparisons. We will strive to maintain a strong capital base supported by adequate loan loss reserves.

We will continue to attract and retain exceptional people. We will deliver the best quality customer service available in the banking industry. This high level of personal service is what separates us from our competitors.

Our officers and employees will be encouraged to provide leadership and support in civic and economic development activities. We will also strive to assess and serve the credit needs of each community in which we are located.

We are committed to the overall success of First Georgia. The proper implementation of these principles will continue to maximize the value of the Company.

PRESIDENT'S MESSAGE

Dear Stockholders:

I am pleased once again to report to you the results from operations of our Company for the year 1996. Our Company experienced good growth in earnings, loans and deposits. However, as you will note from the income statement, we actually recorded a decrease in earnings from the previous year. This decrease came as a result of a one time special assessment by the F.D.I.C. charged to all thrifts nationwide. Our charge to earnings this past year was in excess of $720,000 which materially impacted our net income for the year. The good news surrounding this assessment is that our F.D.I.C. insurance costs will be dramatically reduced in the future.

I am also pleased to report on two other significant events that have taken place in our Company within the past year. We determined that our marketing strategy would be more productive and profitable by concentrating our resources within Glynn County. We have signed an agreement with the Hinesville Bank to purchase our branch located in Hinesville, and we have now opened a full service branch in the Wal-Mart Supercenter located in Brunswick.

The opening of our new Wal-Mart branch brings a new level of banking services to our area as this office will be open seven days a week. With the addition of our first ATM located at this branch, we will be providing 24-hour banking service. Additionally, this expands our branch network in Glynn County to five offices that are strategically located to serve the local market.

Our market share in loans and deposits continues to grow which will translate to positive results in our earnings.

As you can see, our Company continues to do extremely well. We look forward to the challenges of 1997 with great optimism and enthusiasm. As always we appreciate your support.

Sincerely,

HENRY S. BISHOP

Henry S. Bishop
President

FIRST GEORGIA HOLDING, INC.
C O N S O L I D A T E D

F I N A N C I A L

S T A T E M E N T S
September 30, 1996 and 1995 (With Independent Auditors' Report Thereon)

CONSOLIDATED BALANCE SHEETS
First Georgia Holding, Inc. and subsidiary

	SEPTEMBER 30,	
	1996	1995
ASSETS		
Cash and cash equivalents	$ 2,956,328	2,543,495
Interest bearing deposits in other banks	2,954,350	2,352,183
Investment securities to be held to maturity, fair value approximately $10,209,000 and $9,069,000 at September 30, 1996 and 1995, respectively (note 2)	10,325,537	9,180,978
Loans receivable, net of allowance for loan loss of $955,288 and $1,003,569 at September 30 1996 and 1995, respectively, (notes 3 and 8)	122,431,469	110,432,233
Real estate acquired in settlement of loans	94,200	206,334
Federal Home Loan Bank stock, at cost (notes 6 and 8)	1,575,700	1,575,700
Premises and equipment, net (note 4)	3,334,879	3,388,207
Accrued interest receivable (note 5)	852,632	751,108
Intangible assets, net (note 10)	1,276,532	1,408,268
Other assets (note 12)	1,113,646	903,891
TOTAL ASSETS	$ 146,915,273	132,742,397
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits (note 7)	$ 121,554,457	106,527,689
Federal Home Loan Bank advances (note 8)	11,100,000	11,948,000
Advance payments by borrowers for property taxes and insurance	60,619	90,238
Other borrowed money (note 9)	92,000	192,000
Accrued expenses and other liabilities (notes 7, 12, and 13)	2,192,501	2,859,484
Total liabilities	134,999,577	121,617,411
STOCKHOLDERS' EQUITY (notes 11, 12, and 18):		
Common stock, $1.00 par value. Authorized 10,000,000 shares; issued and outstanding 2,034,962 and 1,989,962 shares at September 30, 1996and 1995 respectively	2,034,962	1,989,962
Additional paid-in capital	5,239,851	5,122,843
Retained earnings	4,640,883	4,012,181
TOTAL STOCKHOLDERS' EQUITY	11,915,696	11,124,986

Commitments and contingencies (notes 3, 11, 13, 19, and 20)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	146,915,273	132,742,397

See accompanying notes to consolidated financial statements.

CONSOLIDATED
STATEMENTS OF OPERATIONS
First Georgia Holding, Inc., and subsidiary

	Years Ended September 30,		
	1996	1995	1994
Interest Income:			
Loans	$ 10,986,155	10,871,713	9,714,327
Mortgage-backed securities	321,798	211,136	79,703
Investment securities	377,934	295,873	277,322
Other	108,029	247,615	141,845
Total interest income	11,793,916	11,626,337	10,213,197
Interest Expense:			
Deposits (note 7)	5,682,330	5,345,453	4,486,147
Advances and other borrowings	867,052	1,061,904	1,057,594
Total interest expense	6,549,382	6,407,357	5,543,741
Net interest income	5,244,534	5,218,980	4,669,456
Provision for Loan Losses (note 3)	48,104	214,142	39,000
Net interest income after provision for loan losses	5,196,430	5,004,838	4,630,456
Other Income:			
Loan fees	382,841	451,199	422,821
Deposit service charges	555,174	601,059	625,944
Gain on sale of branch (note 14)	-	122,043	-
Other operating income	65,882	94,515	149,254
Total other income	1,003,897	1,268,816	1,198,019
Other Expenses:			
Salaries and employee benefits (note 15)	1,986,763	1,932,837	1,979,302
Net occupancy expense (note 13)	952,724	904,659	857,201
Data processing	10,572	15,143	16,093
Amortization of intangibles	131,736	143,304	143,304
Loss on sale of foreclosed property	-	17,969	52,821
Federal insurance premiums	254,944	281,033	267,500
SAIF special assessment	727,704	-	-
Other operating expenses	1,010,132	929,306	925,238
Total other expenses	5,074,575	4,224,251	4,241,459
Income before income taxes	1,125,752	2,049,403	1,587,016
Income Tax Expense (note 12)	364,386	772,315	524,839
Net income	$ 761,366	1,277,088	1,062,177
Net income per share and common share equivalent (note 17)	$ 0.35	0.62	0.52
Weighted average common shares outstanding and common share equivalents	2,167,181	2,043,894	2,047,367

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See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS
OF STOCKHOLDERS' EQUITY
First Georgia Holding, Inc., and subsidiary

	Years Ended September 30, 1996, 1995, and 1994			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, September 30, 1993	$ 1,319,141	5,766,164	1,814,074	8,899,379
Three for two stock split effected as a 50% stock dividend in 1996	659,571	(659,571)	-	-
Balance, September 30, 1993, as adjusted	1,978,712	5,106,593	1,814,074	8,899,379
Exercise of stock options (note 16)	11,250	16,250	-	27,500
Net income	-	-	1,062,177	1,062,177
Cash dividends, $.031 per share	-	-	(61,560)	61,560)
Balance, September 30, 1994	1,989,962	5,122,843	2,814,691	9,927,496
Net Income	-	-	1,277,088	1,277,088
Cash dividends, $.04 per share	-	-	(79,598)	(79,598)
Balance, September 30, 1995	1,989,962	5,122,843	4,012,181	11,124,986
Exercise of stock options (note 16)	45,000	40,125	-	85,125
Income tax benefit resulting from exercise of stock options	-	76,883	-	76,883
Net Income	-	-	761,366	761,366
Cash dividends,$.067 per share	-	-	(132,664)	(132,664)
	$2,034,962	5,239,851	4,640,883	11,915,696

See accompanying notes to consolidated financial statements.

CONSOLIDATED
STATEMENTS OF CASH FLOWS
First Georgia Holding, Inc. and subsidiary

	Years Ended September 30,		
	1996	1995	1994
OPERATING ACTIVITIES			
Net income	$ 761,366	1,277,088	1,062,177
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	48,104	214,142	39,000
Depreciation and amortization, net of accretion	381,871	425,849	413,326
Amortization of intangibles	131,736	143,304	143,304
Amortization of net deferred loan costs (fees)	24,672	(106,755)	(161,878)
Federal Home Loan Bank stock dividends	-	-	(38,600)
Gain on sale of branch	-	(122,043)	-
(Gain) Loss on sale of real estate acquired in settlement of loans	(505)	17,969	52,821
Deferred income tax (benefit) expense	(287,279)	29,959	31,173
Decrease (Increase) in accrued interest receivable	(101,524)	(20,244)	124,365
Decrease (Increase) in other assets	154,407	(205,076)	(151,062)
(Decrease) Increase in advance payments by borrowers for property and insurance	(29,619)	8,237	(39,664)
(Decrease) Increase in accrued			

expenses and other liabilities	(666,983)	364,447	351,834
Net cash provided by operating activities	416,246	2,026,877	1,826,796
INVESTING ACTIVITIES			
Principal payments received on mortgage-backed securities	478,221	311,364	422,510
Maturities of investment securities	100,000	1,000,000	-
Purchase of investment securities	(1,721,563)	(3,030,598)	(916,030)
Loan originations, net of principal repayments	(12,375,532)	(1,575,594)	(99,718)
Purchase of premises and equipment	(329,760)	(260,405)	(74,375)
Proceeds from sale of real estate acquired in settlement of loans	416,159	1,380,599	397,314
Proceeds from sale of premises and equipment	-	21,008	152,307
Net cash used in investing activities	$(13,432,475)	(2,153,626)	(117,992)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS(Cont'd.)
First Georgia Holding, Inc. and subsidiary

	Years Ended September 30,		
	1996	1995	1994
FINANCING ACTIVITIES			
Net increase (decrease) in deposits	$ 15,026,768	9,780,378	(2,845,978)
Net liabilities of branch assumed by purchaser, net of gain	-	(2,868,419)	-
(Repayments of) Proceeds from other borrowed money	(100,000)	(1,048,000)	940,000
Proceeds from FHLB advances	19,600,000	4,000,000	7,800,000
Repayment of FHLB advances	(20,448,000)	(8,800,000)	(6,500,000)
Net proceeds from exercise of stock options	85,125	-	27,500
Dividends paid	(132,664)	(79,598)	(61,560)
Net cash provided by (used in) financing activities	14,031,229	984,361	(640,038)
Increase in cash and cash equivalents	1,015,000	857,612	1,068,766
Cash and cash equivalents at beginning of year	4,895,678	4,038,066	2,969,300
Cash and cash equivalents at end of year	$ 5,910,678	4,895,678	4,038,066

Supplemental disclosure of cash paid during year for:

Interest	$ 6,529,000	6,252,000	5,654,000
Income taxes	$ 828,000	538,000	978,000

Supplemental disclosure of non-cash activities:

Loans receivable of approximately $478,000, $1,365,000, and $191,000 were transferred to real estate acquired in settlement of loans during the years ended September 30, 1996, 1995, and 1994, respectively.

Sales of real estate acquired in settlement of loans totaling approximately $173,000, and $127,000 for the years ended September 30, 1996 and 1994, respectively, were financed by the Bank.

During 1996, the exercise of stock options resulted in a $76,883 tax benefit to the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
First Georgia Holding, Inc.and Subsidiary
September 30, 1996, 1995, 1994

(1) Summary of Significant Accounting Policies
First Georgia Holding, Inc. (the Company) was incorporated on December 16, 1987 for the purpose of acquiring all of the issued and outstanding stock of First Georgia Bank, F.S.B. (the Bank). The accounting and reporting policies of First Georgia Holding, Inc. and subsidiary conform to generally accepted accounting principles. The following is a description of the more significant of those policies which the Company follows in preparing and presenting its consolidated financial statements.

(a) Basis of Financial Statement Presentation
The financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and real estate acquired through foreclosure, management obtains independent appraisals and reviews available market data such as comparable sales and recent market trends through discussions with local real estate professionals.

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Investment Securities to be Held to Maturity
Effective September 30, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS 115). Under SFAS 115, the Company has classified all its securities as held to maturity securities. Held to maturity securities are those securities that the Company has the positive ability and intent to hold until maturity.

Held to maturity securities are recorded at amortized cost adjusted for the amortization or accretion of premiums and discounts. Premiums and discounts are amortized or accreted over the life of the related investment security using a method which approximates level yield. Purchase premiums and discounts on mortgage-backed securities are amortized and accreted to interest income using a method which approximates level-yield over the remaining lives of the securities taking into consideration assumed prepayment patterns.

A decline in the market value of a security below cost that is deemed other than temporary results in a charge to earnings and the establishment of a new cost basis for the security. At September 30, 1996, the Company did not have any securities with other than temporary impairment for which a new cost basis had not been established.

(c) Loans and the Allowance for Loan Losses

Loans are reported at principal amounts outstanding, less unearned income and the allowance for loan losses. Interest income on loans is recognized on a level-yield basis.

Loans are placed on a nonearning basis when reasonable doubt exists as to the full, timely collection of interest and principal or they become contractually in default for 90 days or more as to either interest or principal unless they are both well secured and in the process of collection.

In May 1993, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 114 Accounting by Creditors for Impairment of a Loan ("SFAS 114"). SFAS 114 requires impaired loans to be measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent, beginning in fiscal 1996. In October 1994, the FASB issued Statement of Financial Accounting Standards No. 118, Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures ("SFAS 118") which amends SFAS 114 to require information about the recorded investment in certain impaired loans and eliminates its provisions regarding how a creditor should report income on an impaired loan. SFAS 118 allows creditors to use existing methods for recognizing income on impaired loans, including methods required by certain industry regulators. The Company adopted SFAS 114 and SFAS 118, on a prospective basis, effective October 1, 1995. This adoption required no increase to the allowance for loan losses and had no impact on net income in 1996.

A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When the ultimate collectibility of an impaired loan's principal is in doubt, cash receipts are applied under the contractual terms of the loan agreement first to principal and then to interest income. Once the recorded principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent that interest has not been previously recognized. Future cash receipts are recorded as recoveries of any amounts previously charged off.

The Bank extends credit to customers throughout its market area with a concentration in real estate mortgage loans. The real estate loan portfolio is substantially secured by properties located throughout Southeast Georgia. Although the Bank has a diversified loan portfolio, a substantial portion of its borrowers' ability to repay such loans is dependent upon the economy in the Bank's market area.

Additions to the allowance for loan losses are charged to operations based upon management's evaluation of the potential losses in its loan portfolio. This evaluation considers the estimated value of the underlying collateral and such other factors as, in management's judgment, deserve recognition under existing economic conditions. While management uses the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the assumptions used in making the evaluations. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowances for losses on loans and real estate acquired in settlement of loans. Such agencies may require the Bank to recognize additions to the allowances based on their judgments of information available to them at the time of their examination.

(d) Loan Origination and Commitment Fees
Loan origination fees, net of certain direct origination costs, are deferred and amortized on a basis that approximates level yield over the contractual lives of the underlying loans. In addition, fees for a commitment to originate or purchase loans are offset against direct loan origination costs incurred to make such commitments. The net amounts are deferred and, if the commitment is exercised, recognized over the life of the related loan as a yield adjustment or, if the commitment expires unexercised, recognized as income upon expiration of the commitment.

(e) Real Estate Acquired in Settlement of Loans
Real estate acquired in settlement of loans represents real estate acquired through foreclosure and is reported at lower of cost or fair value, adjusted for estimated selling costs. Fair value is determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources. Any excess of the loan balance at the time of foreclosure over the fair value of the real estate held as collateral is recorded as a loan loss. Gain or loss on sale and any subsequent permanent decline in fair value is recorded in income.

(f) Premises and Equipment
Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets.

(g) Income Taxes
The Company files consolidated income tax returns with its subsidiary.

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established for the portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized.

(h) Statement of Cash Flows
For the purposes of the statement of cash flows, the Company considers cash on hand and in banks and investments with a maturity of ninety days or less, at purchase, to be cash equivalents.

(I) Reclassifications
Certain reclassifications have been made to the 1995 and 1994 consolidated financial statements to conform with the presentation adopted in 1996.

(j) Recent Accounting Pronouncements
In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of (SFAS 121), which is effective for fiscal years beginning after December 15, 1995. This statement requires that long-lived assets that are to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. In the event that facts and circumstances

indicate that the carrying value of long-lived assets may be impaired, an evaluation of their recoverability would be performed and any resulting impairment loss recorded. The implementation of SFAS 121 is not expected to materially impact the Company's financial position or results of operations because the Company periodically evaluates its commercial property and other assets for impairment using independent appraisals, cash flow analyses and other relevant information. The Company has not experienced any significant impairment losses.

On October 23, 1995, Statement of Financial Accounting Standard No. 123 (SFAS 123), Accounting for Stock-Based Compensation was issued. SFAS 123 allows companies to retain the current approach set forth in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, for recognizing stock-based compensation expense in the basic financial statements; however, companies are encouraged to adopt a new accounting method based on the estimated fair value of employee stock options. Companies that do not follow the new fair value based method will be required to provide expanded disclosures in the footnotes. The Company does not plan to adopt the recognition provisions of SFAS 123. The disclosure requirements of SFAS 123 are effective for fiscal years beginning after December 15, 1995. and the Company intends to provide such information in expanded disclosures in the footnotes in fiscal 1997.

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS (CONT'D)
First Georgia Holding, Inc. and Subsidiary

(2) Investment Securities
Investment securities to be held to maturity consist of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Approximate Fair Value
September 30, 1996:				
U.S. Government Agencies	$ 5,500,683	3,107	80,131	5,423,659
Mortgage-backed securities and SBA's	3,704,854	64,441	81,000	3,688,295
State and municipal	870,000	-	3,210	866,790
Corporate Bonds	250,000	-	20,000	230,000
	$ 10,325,537	67,548	184,341	10,208,744

	Amortized Cost	Unrealized Gains	Unrealized Losses	Approximate Fair Value
September 30, 1995:				
U.S. Government Agencies	$ 4,498,377	-	160,587	4,337,790
Mortgage-backed securities and SBA's	4,182,601	81,754	31,167	4,233,188
State and municipal	500,000	300	2,000	498,300
	$ 9,180,978	82,054	193,754	9,069,278

A summary of investment and mortgage-backed securities by maturity as of September 30, 1996 follows:

	Amortized Cost	Approximate Fair Value
Within 1 Year	$ 3,099,391	3,082,800
After 1 Year through 5 Years	3,153,832	3,112,882
After 5 Years through 10 Years	761,320	770,869

After 10 Years	3,310,994	3,242,193
	$ 10,325,537	10,208,744

The Company did not sell any investments during 1996, 1995, or 1994.

At September 30, 1996 and 1995, the Company had pledged $8,245,000 and $5,095,000, respectively, of its securities to government and municipal depositors.

(3) Loans Receivable
Loans receivable at September 30, are summarized as follows:

	1996	1995
Real estate mortgage loans	$ 94,679,525	91,663,176
Real estate construction loans	11,417,553	7,605,089
Consumer loans	9,447,481	9,093,850
Commercial and other loans	7,891,541	6,041,835
	123,436,100	114,403,950
Less:		
Undisbursed portion of loans in process	-	2,868,215
Deferred loan fees	17,264	59,500
Unearned interest income	32,079	40,433
Allowance for loan losses	955,288	1,003,569
	$ 122,431,469	110,432,233

An analysis of the activity in the allowance for loan losses is as follows:

	1996	1995	1994
Balance at beginning of year	$ 1,003,569	983,058	968,784
Provision for loan losses	48,104	214,142	39,000
Recoveries	112,901	84,482	113,055
Losses charged to allowance	(209,286)	(278,113)	(137,781)
Balance at end of year	$ 955,288	1,003,569	983,058

As of September 30, 1996 and 1995, outstanding loan commitments, exclusive of the undisbursed portion of loans in process amounted to approximately $142,000 and $100,000 respectively, with variable interest rates and $739,000 and $1,460,000, respectively, in fixed interest rates. The Bank is also committed to extend standby letters of credit amounting to approximately $622,000 and $572,000, respectively, at September 30, 1996 and 1995. In addition, customers of the Bank have the ability to borrow approximately $992,000 and $974,000, respectively at September 30, 1996 and 1995, under existing credit card agreements. It is the opinion of management that such commitments do not involve more than the normal risk of loss.

At September 30, 1996 and 1995, the Bank had nonaccrual loans aggregating approximately $1,951,000 and $2,061,000, respectively. The effects of carrying nonaccrual loans during 1996, 1995, and 1994 resulted in a reduction of interest income of approximately $93,000, $91,000, and $119,000, respectively.

(3) Loans Receivable (Cont'd)
As discussed in Note 1, the Company adopted SFAS 114 and SFAS 118 on October 1, 1995. This adoption required no increase to the allowance for loan losses and had no impact on net income for the year ended September 30, 1996.

Impaired loans and related amounts included in the allowance for loan losses at September 30, 1996 are as follows:

	Principal Balance	Allowance
Impaired loans, with a related allowance	$ -	-
Impaired loans, without allowance	447,433	-
Total	$ 447,433	-

The allowance amounts were primarily determined using the fair value of the related collateral.

The average recorded investment in impaired loans for the year ended September 30, 1996 was $455, 757. The interest income recognized on impaired loans for the year ended September 30, 1996 was approximately $16,990, of which all was recorded on a cash basis.

At September 30, 1996 and 1995, the Bank had no loans held for sale.

The Bank has direct and indirect loans outstanding to certain directors and executive officers. All of these loans were made in the ordinary course of business on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal credit risk or present other unfavorable features. The following is a summary of such loans outstanding and the activity in these loans for 1996:

Balance at September 30, 1995	$ 4,438,741
Repayments	(3,166,801)
New borrowings	3,390,948
Balance at September 30, 1996	$ 4,662,888

As of September 30, 1996, 1995, and 1994, the Bank was servicing loans for others aggregating approximately $2,003,000, $7,346,000, and $3,205,000, respectively.

(4) Premises and Equipment
Premises and equipment at September 30 are summarized as follows:

	1996	1995
Land	$ 730,464	730,464
Buildings and improvements	2,144,940	2,083,675
Building under capital lease	372,902	372,902
Leasehold Improvements	177,851	-
Furniture, equipment, and automobiles	2,276,280	2,185,636
	$ 5,702,437	5,372,677
Less accumulated depreciation and amortization	2,367,558	1,984,470
Premises and equipment, net	$ 3,334,879	3,388,207

(5) Accrued Interest Receivable

Accrued interest receivable at September 30 is summarized as follows:

		1996	1995
Loans	$	768,080	690,731
Investment securities		51,913	34,744
Mortgage-backed securities		32,639	25,633
	$	852,632	751,108

(6) Investments Required by Law
Investment in stock of a Federal Home Loan Bank is carried at cost and is required of those institutions who utilize its services. No ready market exists for the stock, and it has no quoted market value.

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS (CONT'D)
First Georgia Holding, Inc. and Subsidiary

(7) Deposits
Deposits are summarized at September 30 as follows:

		1996		1995	
		Balance	Weighted Average Rate	Balance	Weighted Average Rate
Non-interest demand deposits	$	6,266,901	-	4,602,376	-
Negotiable orders of withdrawal		11,598,046	1.25%	11,606,103	2.41%
Money market deposit accounts		2,410,008	2.35%	2,344,735	2.78%
Savings deposits		4,564,993	2.30%	4,713,420	2.45%
Time deposits:					
Six-month money market certificates		7,522,860	5.89%	3,558,025	3.45%
Certificates greater than six months		70,893,473	5.32%	67,172,895	6.17%
Jumbo certificates		18,298,176	4.48%	12,530,135	5.34%
	$	121,554,457	5.05%	106,527,689	5.14%

Interest expense on deposits is summarized as follows:

		1996	1995	1994
Negotiable orders of withdrawal	$	219,520	329,557	335,806
Money market deposit accounts		60,966	86,840	113,324
Savings deposits		108,398	132,734	138,543
Time deposits:				
Six-month money market certificates		301,268	186,451	171,095
Certificates greater than six months		4,081,112	3,928,004	3,194,256
Jumbo certificates		930,813	710,217	556,200
		5,702,077	5,373,803	4,509,224
Less:				
Early withdrawal penalties		19,747	28,350	23,077
	$	5,682,330	5,345,453	4,486,147

At September 30, 1996 the rates on deposits were as follows:

Negotiable orders of withdrawal	1.25	%
Money market deposit accounts	2.35	
Savings deposits	2.30	
Time deposits	2.75 - 6.25	

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS (CONT'D)

(7) Deposits (Cont'd)
Accrued interest payable on all deposits at September 30, 1996 and 1995 was $547,939 and $527,338, respectively, and is included in accrued expenses and other liabilities in the accompanying consolidated financial statements.

As of September 30, 1996, and 1995, the Bank had no brokered deposits.

The amount and maturities of all time deposits at September 30, 1996 are as follows:

Year ending September 30,	Amount
1997	$ 20,247,486
1998	50,973,898
1999	16,686,964
2000	7,066,236
2001	1,506,940
After 2001	232,985
	$ 96,714,509

(8) Federal Home Loan Bank Advances
Advances from the Federal Home Loan Bank at September 30 are summarized as follows:

Due during year ending September 30,	Interest Rates	1996	1995
1996	4.98% to 8.55%	$ -	4,448,000
1997	4.93% to 8.45%	4,000,000	4,000,000
1998	5.32% to 7.27%	4,500,000	2,000,000
1999	5.68% to 6.76%	2,100,000	1,000,000
2002	7.90%	500,000	500,000
		$ 11,100,000	11,948,000

The weighted average interest rate on Federal Home Loan Bank advances was 6.44% and 7.10% at September 30, 1996 and 1995, respectively.

The Bank has the ability to borrow additional funds from the Federal Home Loan Bank. The advances and any future borrowings are collateralized by certain qualifying real estate loans under a security agreement with the Federal Home Loan Bank. Additionally, all stock of the Federal Home Loan Bank is pledged as collateral for the advances.

(9) Other Borrowed Money
The Company has a $1.0 million revolving line of credit with a financial institution expiring in May 1998 at an interest rate of prime plus one-half percent. The Company has pledged the outstanding stock of the Bank as collateral for the line of credit. At September 30, 1996 and 1995, $92,000 and $192,000, respectively, were outstanding.

(10) Intangible Assets
Intangible assets at September 30 are summarized as follows:

	1996	1995
Customer deposit base	$ 1,802,560	1,802,560
Cost in excess of net assets acquired	566,172	566,172
	2,368,732	2,368,732

Less accumulated amortization		1,092,200	960,464
	$	1,276,532	1,408,268

The intangible assets were generated as a result of the Company purchasing eight branches of another financial institution. Such amounts are being amortized on a straight-line method over the estimated life (19 years) of the customer deposit base. Four of the eight acquired branches have been sold, three in 1991 and one in 1995. Accordingly, the unamortized intangible assets associated with the sold branches were expensed upon sale.

(11) Stockholders' Equity and Regulatory Matters
The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) was signed into law on December 19, 1991. Regulations implementing the prompt corrective action provisions of FDICIA became effective on December 19, 1992. In addition to the prompt corrective action requirements, FDICIA includes significant changes to the legal and regulatory environment for insured depository institutions including reductions in insurance coverage for certain kinds of deposits, increased supervision by the Federal regulatory agencies, increased reporting requirements for insured institutions, and new regulations concerning internal controls, accounting and operations.

(11) Stockholders' Equity and Regulatory Matters (Cont'd)
The prompt corrective action regulations define specific capital categories based on an institution's capital ratios. The capital categories, in declining order, are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." Institutions categorized as "undercapitalized" or worse are subject to certain restrictions, including the requirement to file a capital plan with its primary Federal regulator, prohibitions on the payment of dividends and management fees, restrictions on executive compensation, and increased supervisory monitoring, among other things. Other restrictions may be imposed on the institution either by its primary Federal regulator or by the Federal Deposit Insurance Corporation, including requirements to raise additional capital, sell assets, or sell the entire institution. Once an institution becomes "critically undercapitalized," it must generally be placed in receivership or conservatorship within 90 days.

To be considered "well capitalized," an institution must generally have a leverage ratio of at least 5%, a Tier 1 risk-based capital ratio of at least 6%, and a total risk-based capital ratio of at least 10%. An institution is deemed to be "critically undercapitalized" if it has a tangible equity ratio of 2% or less.

While the Office of Thrift Supervision (OTS) and the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA) minimum capital requirements were not changed by FDICIA, an OTS regulated thrift rating will be determined using thresholds associated with the above capital categories. OTS minimum capital requirements are 1.5% tangible capital, 3% core capital, and 8% risk-based capital. Therefore, an OTS-regulated thrift could meet all three of its OTS minimum capital requirements yet still be "undercapitalized" for purposes of prompt corrective action under FDICIA.

At September 30, 1996, the Bank was in compliance with all such capital requirements. The following table summarizes the regulatory capital requirements and the Bank's regulatory capital at September 30, 1996.

	Regulatory capital		Minimum required regulatory capital under FIRREA	
	Amount	% of assets	Amount	% of assets
Tangible	$ 10,619,000	7.31%	2,179,000	1.50%
Core	11,896,000	8.12%	4,397,000	3.00%
Risk-based	12,851,000	10.51%	9,781,000	8.00%

At September 30, 1996, the Bank's tangible, core, and risk-based regulatory capital exceeded the minimum required regulatory capital under FIRREA by $8,440,000, $7,499,000 and $3,070,000, respectively; furthermore, the Bank was categorized as "well capitalized" under the aforementioned FDICIA requirements.

(11) Stockholders' Equity and Regulatory Matters (Cont'd)
A reconciliation of stockholder's equity of the Bank as disclosed in note 18 to regulatory capital amounts at September 30, 1996 follows:

	Tangible	Core	Risk-based
		(unaudited)	
Stockholder's equity as reported in Note 18	$ 11,896,000	11,896,000	11,896,000
Less qualifying intangible assets	(1,277,000)	-	-
Plus general loan loss reserves	-	-	955,000
	$ 10,619,000	11,896,000	12,851,000

In 1992 the Bank entered into a supervisory agreement with the OTS. The agreement required the Bank to submit to the OTS a written plan to improve the Bank's record of compliance with applicable federal consumer protection laws and regulations. Effective May 20, 1996, the OTS released the Bank from this supervisory agreement.

(12) Income Taxes
The components of income tax expense (benefit) attributable to income from continuing operations are as follows:

	1996	1995	1994
Federal: Current	$ 651,665	742,356	493,666
Deferred	(287,279)	29,959	31,173
	364,386	772,315	524,839
State: Current	-	-	-
	$ 364,386	772,315	524,839

The difference between the actual total provision for income taxes and income taxes computed at the Federal statutory rate of 34% is as follows:

	1996	1995	1994
Computed "expected" tax expense	$ 382,756	696,797	539,585
Increase (Decrease) resulting from:			
Amortization of intangibles	12,534	10,574	10,574
Tax exempt income	(7,957)	(8,298)	(8,182)
Other, net	(22,947)	73,242	(17,138)
	$ 364,386	772,315	524,839

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS (CONT'D)
First Georgia Holding, Inc. and Subsidiary

(12) Income Taxes (Cont'd)
The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of September 30, 1996 and 1995 are presented below:

		1996	1995
Deferred tax assets:			
Allowance for loan losses	$	267,021	315,000
Deferred loan fees		6,553	22,586
SAIF assessment accrual		276,237	-
Total gross deferred tax assets		549,811	337,586
Less valuation allowance		-	-
Net deferred tax assets		549,811	337,586
Deferred tax liabilities:			
Depreciation		71,265	146,319
FHLB stock dividends		240,379	240,379
Total deferred tax liabilities		311,644	386,698
Net deferred tax assets (liabilities)	$	238,167	(49,112)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making the assessment.

Prior to January 1, 1996, under the Internal Revenue Code ("Code") the Company was allowed a special bad debt deduction related to additions to tax bad debt reserves established for the purpose of absorbing losses. The provisions of the Code permitted the Company to deduct from taxable income an allowance for bad debts based on the greater of a percentage of taxable income before such deductions or actual loss experience. Retained earnings at September 30, 1996 include approximately $248,000 for which no deferred Federal income tax liability has been recognized. The amounts represent an allocation of income for bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carry back of net operating losses would create income for tax purposes only, which would be subject to the then current corporate income tax rate.

On August 20, 1996, President Clinton signed legislation which will eliminate the percentage of taxable income bad debt deduction for thrift institutions for tax years beginning after December 31, 1995. This new legislation also requires a thrift to generally recapture the excess of its current tax reserves over its 1987 base year reserves. As the Company has previously provided deferred taxes on this amount, no additional financial statement tax expense should result from this new litigation.

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS (CONT'D)
First Georgia Holding, Inc. and Subsidiary

(13) Leases
On September 28, 1987, the Bank entered into a sale-

leaseback of one of its branches. The facility has been capitalized and the related obligation is recorded in other liabilities in the accompanying financial statements based on the present value of future minimum lease payments. The lease term expires August 28, 2007.

The present value of future minimum capital lease payments as of September 30, 1996, are:

Year ending September 30,	
1997	$ 39,348
1998	39,348
1999	39,348
2000	39,348
2001	39,348
2002 and later years	236,088
Total minimum lease payments	432,828
Less amount representing interest at 10%	170,924
Present value of future minimum capital lease payments	$ 261,904

The Bank is obligated under various noncancelable operating leases, primarily for operating facilities that expire over the next fifteen years. The future minimum lease payments under these operating leases as of September 30, 1996 are as follows:

Year ending September 30,	
1997	$ 50,480
1998	25,000
1999	25,000
2000	25,000
2001	25,000
2002 and later years	70,313
Total future minimum lease payments	$ 220,793

Total rent expense was approximately $75,000, $16,000, and $22,000 for the years ended September 30, 1996, 1995, and 1994, respectively.

(14) Sale of Branch
Effective September 22, 1995, the Bank completed the sale of its Alma branch, which had deposits of $6,660,144, loans receivable of $3,247,943, and net premises and equipment of $270,163. This transaction resulted in a gain of $122,043 which is reported separately in the accompanying consolidated statement of operations.

(15) Employee Benefit Plans
Effective October 1, 1992, the Company adopted a 401(k) Profit Sharing Plan, (the Plan) which covers substantially all of its employees. The Company matches 50% of employee contributions
to the Plan, up to 3% of an employee's salary. The Company contributed $27,376, $28,852, and $30,517 to the Plan in 1996, 1995, and 1994, respectively.

Effective September 30, 1995, the Company adopted an Employee Stock Purchase Plan which covers substantially all of its employees. The Company buys its stock in the open market for the employees. Employees pay 85% of the price at which the Company buys the stock. During 1996, approximately 6,500 shares were purchased by employees. As a result of such employee stock purchases, the Company incurred employee benefits expense of approximately $11,000 in 1996.

(16) Stock Option Plan

The Company has a nonqualified Stock Option Plan (the Option Plan). The remaining number of shares of stock reserved under the Option Plan is 304,274. The shares will be available for future issuance upon the exercise of stock options to be granted to officers and key employees of the Company under the Option Plan. The following is a summary of activity in the Option Plan for the periods indicated.

Such amounts have been adjusted to reflect 50% stock dividends accounted for as 3 for 2 stock splits declared in each of fiscal 1996 and 1994.

	1996	1995	1994
Options outstanding at beginning of period	349,274	154,274	165,524
Options granted	-	195,000	-
Options canceled	-	-	-
Options exercised	(45,000)	-	(11,250)
Options outstanding at end of period	304,274	349,274	154,274
Option prices per share:			
Options granted during period	-	$4.33-4.77	-
Options canceled	-	-	-
Options exercised	$1.45-2.44	-	$2.44
Options outstanding at end of period	$2.22-4.77	$1.45-4.77	$1.45-2.44

At September 30, 1996, 189,468 of the options can be exercised.

(17) Net Income Per Share

Net income per share is based on weighted average shares and share equivalents of 2,167,181, 2,043,894, and 2,047,367 during the years ended September 30, 1996, 1995 and 1994, respectively. The dilutive effect of stock options has been considered in the computation of equivalent shares and is included from the respective dates of grant. Net income per share and weighted average shares and equivalent shares outstanding have been retroactively restated to reflect the 50% stock dividends accounted for as 3 for 2 stock splits that occurred during each of fiscal 1996 and 1994.

(18) Condensed Financial Information of First Georgia Holding, Inc. (Parent Only)

First Georgia Holding, Inc., was organized December 16, 1987. The following represents parent company only condensed financial information.

	September 30,	
Condensed Balance Sheets	1996	1995
Assets		
Cash	$ 34,447	7,486
Other assets	76,883	-
Investment in subsidiary (note 11)	11,896,366	11,309,500
Total assets	$ 12,007,696	11,316,986
Liabilities and Stockholders' Equity		
Liabilities		
Other borrowed money (note 9)	$ 92,000	192,000
Stockholders' Equity		
Common stock	2,034,962	1,989,962
Additional paid-in-capital	5,239,851	5,122,843

Retained earnings		4,640,883	4,012,181
Total liabilities and stockholders' equity	$	12,007,696	11,316,986

Condensed Statements of Operations		Years ended September 30, 1996	1995	1994
Dividends from bank subsidiary	$	194,000	215,000	84,000
Expenses		(19,500)	(27,807)	(25,249)
Income before equity in undistributed income of bank subsidiary		174,500	187,193	58,751
Equity in undistributed income of bank subsidiary		586,866	1,089,895	1,003,426
Net income	$	761,366	1,277,088	1,062,177

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS (CONT'D)
First Georgia Holding, Inc. and Subsidiary

(18) Condensed Financial Information of First Georgia Holding, Inc. (Parent Only)

Condensed Statements of Cash Flows

Cash flows from operating activities:		1996	1995	1994
Net income	$	761,366	1,277,088	1,062,177
Adjustments to reconcile net income to net cash provided by operating activities:				
Equity in undistributed income of bank subsidiary		(586,867)	(1,089,895)	(1,003,426)
(Decrease) Increase in accounts payable		-	(79,725)	62,925
Net cash provided by operating activities		174,499	107,468	121,676
Cash flows from financing activities:				
Dividends paid on common stock		(132,664)	(79,598)	(61,560)
Net proceeds from exercise of stock options		85,125	-	27,500
Repayments of other borrowed money		(100,000)	(48,000)	(60,000)
Net cash used in financing activities		(147,539)	(127,598)	(94,060)
Increase (Decrease) in cash and cash equivalents		26,960	(20,130)	27,616
Cash and cash equivalents at beginning of year		7,486	27,616	-
Cash and cash equivalents at end of year	$	34,447	7,486	27,616

The primary source of funds available to the parent company to pay shareholder dividends and other expenses is dividends from its subsidiary bank. Regulatory agencies impose restrictions on the amounts of dividends that may be declared by the subsidiary bank and requires maintenance of minimum capital amounts (see note 11). The amount of cash dividends available from the subsidiary bank for payment in 1997, upon regulatory approval, is approximately $3,070,000. As a result, at September 30, 1996, approximately $8,826,000 of the parent company's investment in the Bank was restricted as to dividend payments from the Bank to the parent company under the foregoing regulatory limitations.

(19) Commitments and Contingencies
The Bank is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Bank's or the Company's financial position or results of operations.

(20) Pending Branch Sale
In July 1996, the Bank signed a letter of intent to sell its branch located in Hinesville Georgia to a local bank in that area. The sale of approximately $8,400,000 in deposits and $340,000 in premises and equipment is expected to close during the first quarter of 1997, subject to regulatory approval.

(21) Fair Value of Financial Instruments
SFAS 107, Disclosures About Fair Value of Financial Instruments, requires disclosure of fair value of financial instruments, whether or not recognized on the face of the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions would significantly affect the estimates. SFAS 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash and due from banks, interest-bearing deposits in other financial institutions, accrued interest receivable: The carrying amounts approximate those assets' fair values because of their short-terms to maturity.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: For variable-rate loans that reprice frequently and are of normal credit risk, fair values are considered to approximate carrying values. The fair values for all other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Off-balance sheet instruments: Fair values for the Company's off-balance sheet instruments are based on a comparison with terms, including interest rate and commitment periods currently being offered in similar agreements, taking into account credit worthiness of the counter parties. The carrying and fair values of off-balance-sheet instruments at

September 30, 1996, are the same based on the fact that the Company generally does not offer lending commitments to its customers for long periods and, therefore, the underlying rates of the commitments approximate market rates.

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS (CONT'D)
First Georgia Holding, Inc. and Subsidiary

(21) Fair Value of Financial Instruments(Cont'd) Deposits: Fair values for fixed-rate certificates of deposits are estimated using a discounted cash flow calculation that considers interest rates currently being offered on certificates of similar terms to maturity. The carrying amounts of all other deposits, due to their nature, approximate their fair value.

Federal Home Loan Bank advances: Fair values for fixed-rate borrowings from the Federal Home Loan Bank are estimated using a discounted cash flow calculation that considers interest rates currently being offered on advances of similar terms to maturity.

Other Borrowed Money: The carrying amount of the note payable, which has a variable rate, is assumed to approximate its fair value.

The following is a summary of the Company's financial instruments at September 30, 1996:

		Carrying value	Estimated fair value
Assets:			
Cash and due from banks	$	2,956,328	2,956,328
Interest bearing deposits in other financial institutions		2,954,350	2,954,350
Investment securities		10,325,537	10,208,744
Loans		122,431,469	125,114,586
Liabilities:			
Deposits			
Noninterest bearing		6,266,901	6,266,901
Interest bearing demand and savings		18,573,047	18,573,047
Time certificates		96,714,509	97,988,140
Federal Home Loan Bank advances		11,100,000	11,083,890
Other borrowed money		92,000	92,000

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

First Georgia Holding, Inc.

Brunswick, Georgia

We have audited the accompanying consolidated balance sheets of First Georgia Holding, Inc. and subsidiary as of September 30, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Georgia Holding, Inc. and subsidiary at September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1996, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP
Atlanta, Georgia
November 1, 1996

SELECTED CONSOLIDATED
FINANCIAL AND OTHER DATA
First Georgia Holding, Inc.

Selected consolidated financial data is presented below as of and for each of the years in the five-year period ended September 30, 1996.

(Dollars in thousands, except per share data)

	September 30,				
	1996	1995	1994	1993	1992
Balance Sheet Data:					
Total assets	$ 146,915	132,742	133,870	133,105	139,587
Loans receivable, net	$ 122,431	110,432	113,579	113,420	118,084
Total investments	$ 10,326	9,181	7,511	7,070	7,001
Deposits	$ 121,554	106,528	103,407	106,736	115,739
Borrowings	$ 11,192	12,140	17,988	15,748	13,898
Stockholders' equity	$ 11,916	11,125	9,927	8,899	8,065
Book value per share	$ 5.85	5.59	4.99	4.50	4.08
Number of shares outstanding	2,034,962	1,989,962	1,989,962	1,978,712	1,978,712

Year Ended
September 30,

	1996	1995	1994	1993	1992
Income Statement Data:					
Interest income	$ 11,794	11,626	10,213	10,807	12,008
Interest expense	6,549	6,407	5,544	6,039	7,318
Net interest income	5,245	5,219	4,669	4,768	4,690
Provision for loan losses	48	214	39	171	300
Other income	1,004	1,268	1,198	1,051	1,308
Other expense	4,347	4,224	4,241	4,551	4,706
SAIF special assessment	727	-	-	-	-
Income before income taxes and cumulative change in accounting principle	1,127	2,049	1,587	1,097	992
Income tax expense	364	772	525	435	375
Income before cumulative effect of a change in accounting principle	763	1,277	1,062	662	617
Cumulative effect of a change in accounting principle	-	-	-	216	-
Net income	$ 763	1,277	1,062	878	617
Income per share before cumulative effect of a change in accounting principle	$ 0.35	0.62	0.52	0.33	0.31
Cumulative effect of a change in accounting principle	-	-	-	0.12	-
Net income per share	$ 0.35	0.62	0.52	0.45	0.31

	At or For Year Ended September 30,				
	1996	1995	1994	1993	1992
Other Data:					
Net income to average assets	0.55%	0.95%	0.79%	0.64%	0.43%
Net income to average equity	6.52%	11.88%	11.04%	10.36%	7.96%
Average equity to average assets	8.40%	8.01%	7.41%	6.53%	5.66%
Number of full-service offices	8	6	7	7	7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
First Georgia Holding, Inc. and subsidiary

General

First Georgia Holding, Inc. (the Company) was organized in 1987 to acquire the outstanding common stock of First Georgia Bank, F.S.B. (the Bank or First Georgia). On April 30, 1988, the Company became the sole shareholder of the Bank and issued its stock to the former Bank shareholders. Management's Discussion and Analysis which follows, relates primarily to the Bank since the Company has not had material operations since it was organized.

First Georgia's net income depends on (a) its net interest income, which is the difference between its interest income from loans and investments and its interest expense on deposits and borrowings, (b) its non-interest income, which consists principally of fee income generated by First Georgia's retail banking operations, and (c) its non-interest expenses, such as employee salaries and benefits. Interest income on loans and investments (yield) is a function of the average balances outstanding during the period and the average rates earned. Interest expense (cost of funds) is a function of the average amount of deposits and borrowings outstanding during the period and average rates paid on such deposits and borrowings. Retail banking fee income, consisting mainly of recurring fees collected for deposit-related services rendered by the Bank, varies with the volume of the Bank's retail banking business. Non-interest expenses vary primarily with the number of employees, expansion of facilities and inflation.

Capital Resources

The following is a reconciliation at September 30, 1996 of the Bank's capital under generally accepted accounting principles to regulatory capital.

First Georgia Savings Bank		
Stockholder's equity	$	11,896,000
Less:		
Intangible assets		1,277,000
Tangible Capital		10,619,000
Plus:		
Qualifying intangible assets		1,277,000
Core capital		11,896,000
Plus:		
General allowance for loan losses		955,000
Risk-based capital	$	12,851,000

Current regulations require financial institutions to have minimum regulatory tangible capital equal to 1.5% of adjusted assets, minimum core capital to adjusted assets of 4% (the leverage ratio), and risk-based capital to risk-adjusted assets of 8.0%. The minimum core capital or leverage ratio also may be increased by the Office of Thrift Supervision (the OTS) based on its assessment of the institution's risk management systems and the level of overall risk in the individual institution. At September 30, 1996, the Bank was in compliance with its minimum capital requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT'D)
First Georgia Holding, Inc. and subsidiary

The Bank's regulatory capital and the required minimum amounts, at September 30, 1996, are summarized below.

	Bank Capital		Required Minimum Amount		Excess (Deficiency)	
	%	$	%	$	%	$
Tangible						

capital	7.31	10,619,000	1.50	2,179,455	5.81	8,439,545
Core capital	8.12	11,896,000	4.00	5,863,000	4.12	6,033,000
Risk-based capital	10.51	12,851,000	8.00	9,780,560	2.51	3,070,440

As of September 30, 1996, the Bank exceeded all the required minimum capital amounts as demonstrated by the chart above. The Bank had strong earnings during the year which helped to strengthen its capital position. The Company secured a line of credit from another financial institution for an amount not to exceed $1.0 million. At September 30, 1996 the Company had $92,000 outstanding on that line at prime plus one-half percent, which it used to invest in the Bank in prior years. The Company secured this line of credit with all the outstanding stock of the Bank.

The Federal Deposit Insurance Corporation Improvement Act (FDICIA) requires Federal banking agencies to take "prompt corrective action" with respect to institutions that do not meet minimum capital requirements. In addition to the ratios described above, FDICIA introduced an additional capital measurement, the Tier 1 risk-based capital ratio. The Tier 1 ratio is the ratio of Tier 1 or core capital to total risk-adjusted assets. FDICIA establishes five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." The five capital tiers established by FDICIA and the regulator's minimum requirements for each are summarized below.

	Total Risk-Based Capital Ratio	Tier 1 Risk-Based Capital Ratio	Leverage Ratio
Well capitalized	10% or above	6% or above	5% or above
Adequately capitalized	8% or above	4% or above	4% or above
Undercapitalized	Less than 8%	Less than 4%	Less than 4%
Significantly undercapitalized	Less than 6%	Less than 3%	Less than 3%
Critically undercapitalized	-	-	2% or less

An institution may be deemed to be in a capitalization category lower than is indicated by its capital position based on safety and soundness considerations other than capital levels.

At September 30, 1996, the Bank's total risk-based ratio, tier 1 risk-based ratio and leverage ratio were

10.51%, 9.73%, and 8.12%, respectively, placing the Bank in the well capitalized category under FDICIA for each ratio.

Liquidity
First Georgia has traditionally maintained levels of liquidity in excess of levels required by regulatory authorities. As a member of the Federal Home Loan Bank system, the Bank is required to maintain a daily average balance of cash and eligible liquidity investments in an amount equal to a monthly average of 5% of withdrawable savings and short term borrowings. The Bank's liquidity level was 3.94% and 6.10% at September 30, 1996 and 1995, respectively.

The Bank's operational needs, demand for loan disbursements and savings withdrawals can be met by loan principal and interest payments, new deposits and excess liquid assets. While significant loan demand, deposit withdrawal, increased delinquencies and increased foreclosed properties could alter this condition, the Bank has sufficient borrowing capacity through Federal Home Loan Bank advances and other short term borrowings to manage such an occurrence. Management does not foresee any liquidity problems for 1997.

Asset/Liability Management
First Georgia has implemented a program of asset/liability management to limit the Bank's vulnerability to material and prolonged increases in interest rates (interest rate risk). The principal determinant of the exposure of the Bank's earnings to interest rate risk is the difference in the time between interest rate adjustments or maturities on interest-earning assets and interest rate adjustments or maturities of interest-bearing liabilities. If the maturities of the Bank's assets and liabilities were perfectly matched and if the interest rates earned on its assets and paid on its liabilities moved concurrently, which is not the case, the impact on net interest income of rapid increases or decreases in interest rates would be minimized. The Bank's asset/liability management policy seeks to increase the adjustability of the interest rates earned on its assets and paid on its liabilities and to match the maturities of its interest-earning assets and interest-bearing liabilities so that the Bank will be able to restructure and reprice its asset portfolio in a relatively short period to correspond to changes in its cost and flow of funds. The Bank's policy also seeks to encourage the flow of deposits into longer term certificates during periods of lower interest rates and to emphasize shorter term accounts during periods of high rates. During fiscal 1996, the Bank actively managed its interest rate risk by limiting its lending to short-term fixed rate balloon notes or adjustable rate loans and lengthening the maturity on its deposits.

It is a policy of First Georgia not to originate for its own portfolio any long term fixed rate mortgage loans. This allows First Georgia to better match the maturities of its assets and liabilities, thereby limiting interest rate risk. Similarly, the Bank emphasizes the origination of commercial real estate loans, construction loans, consumer loans and commercial loans with either adjustable rates or short maturities.

The interest rate sensitivity of the Bank's assets and liabilities provides an indication of the extent to which the Bank's net interest income may be affected by interest rate movements. The concept of interest rate sensitivity recognizes that certain assets and liabilities have interest rates that are subject to change prior to maturity. One method of measuring the impact of interest rate changes on net interest income is to measure, in a number of time frames, the interest sensitivity gap by subtracting interest rate sensitive liabilities from interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities, and is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Generally, during a period of rising interest rates, a negative gap would adversely affect net interest income while a positive gap would result in an increase in net interest income, while conversely during a period of falling interest rates, a negative gap would result in an increase in net interest income and a positive gap would negatively affect net interest income. To the extent that the gaps are close to zero, net interest income can be considered to be relatively immune from interest rate movements. The following table sets forth the Bank's interest-earning assets and interest-bearing liabilities at September 30, 1996. The information presented, however, may not be indicative of actual future trends of net interest income in rising or declining interest rate environments.

First Georgia Holding, Inc. and subsidiary

	(in thousands)				
	One Year or Less	Over One Through Five Years	Over Five Through Ten Years	Over Ten Through Twenty Years	Over Twenty Years
Interest-earning assets (IEA's):					
Taxable investments	$ 7,202	786	1,853	484	-
Interest earning deposits	2,954	-	-	-	-
Loans	90,523	25,976	1,449	3,128	2,360
Total	100,679	26,762	3,302	3,612	2,360
Interest-bearing liabilities (IBL's):					
Savings deposits	4,565	-	-	-	-
Other time deposits	20,247	76,234	233	-	-
Demand deposits	20,275	-	-	-	-
Debt	4,092	6,600	500	-	-
Total	49,179	82,834	733	-	-
Interest sensitivity gap	$ 51,500	(56,072)	2,569	3,612	2,360
Cumulative gap	$ 51,500	(4,572)	(2,003)	1,609	3,969
Ratio of IEA's to IBL's	2.05	0.32	4.50	-	-
Cumulative ratio of IEA's to IBL's	2.05	0.97	0.98	1.01	1.03

COMPARISON OF YEARS ENDED SEPTEMBER 30, 1996 AND 1995

RESULTS OF OPERATIONS

GENERAL

First Georgia Holding, Inc. reported Net Income of $761,366 in 1996, a decrease of $515,722. This decrease is due primarily to the special one time SAIF assessment of $727,704. Net Income before this one time assessment is $1,212,833. Net Interest Income after Provision for Loan Losses increased a total of $191,592. Other Income decreased by a total of $264,919, and other expenses, exclusive of the SAIF assessment, increased $122,620. Several factors as discussed below contributed the increases and decreases in these areas.

INTEREST INCOME

Total Interest Income increased $167,579 for the year, or 1.44%. The major portion of this rise in Interest Income was in loans where Interest Income from Loans increased $114,442 or 1.05%. Average loans increased $1,610,772 during the year ended September 30, 1996, resulting in higher interest income. Mortgage-backed securities interest income increased $110,662, or 52.41% and investment securities income increased by a total of $82,061 or 27.74%. Because of increased deposit balances and the maturing of some investments, the Bank was able to shift funds to higher yielding investments. These investments carry a variable rate of interest that will tend to move slower than other rates. Management feels that such investments are prudent because they tend to protect the Bank from wide interest rate swings. Other Interest Income decreased by $139,586, or 56.37%, as the Bank shifted funds from its interest earning deposits to the higher earning investment securities.

INTEREST EXPENSE

Total Interest Expense increased $142,025, or 2.22% for the year. The increase is attributable to an increase in average deposits of $4,453,923. In anticipation of the sale of the Hinesville branch, the Bank offered competitive rates to attract more deposits, which also increased interest expense. Interest Expense on Advances and Other Borrowings fell $194,852, or 18.35% as the Bank was able to pay down the principal on its line of credit by $100,000. The Bank also paid several advances, as indicated by the drop in the average balance of advances outstanding by $2,577,660.

YIELDS EARNED AND RATES PAID

Net interest income is affected by (a) the difference between rates of interest earned on interest-earning assets and rates of interest paid on interest-bearing liabilities (interest rate spread) and (b) the relative amounts of interest-earning assets and interest-bearing liabilities. When interest-earning assets approximate or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income. Financial institutions have traditionally used interest rate spreads as a measure of net interest income. Another indication of an institution's net interest income is its "net yield on interest-earning assets" which is net interest income divided by average interest- earning assets. The following table sets forth information with respect to weighted average contractual yields on loans, yields on investments and the cost of funds on deposits and borrowings for and as of the end of the periods indicated.

	Year Ended September 30,			At September 30,
	(in percentages)			
	1996	1995	1994	1996
Weighted average yield on:				
Loans	9.35	9.77	8.71	9.20
Taxable investment securities	7.35	6.22	3.76	6.03
Interest earning deposits in other banks	5.89	7.24	3.50	5.41
Total weighted average yield on all interest-earning assets	9.15	9.46	8.26	9.04
Weighted average rate paid on:				
Deposits	5.35	4.95	4.22	5.05
Short term debt	7.27	5.90	3.25	7.12
Long term debt	6.63	6.82	6.76	6.36
Total weighted average rate paid on all interest-bearing liabilities	5.23	5.29	4.55	5.08
Weighted average interest rate spread (spread between weighted average yield on all interest-earning assets and rate paid on all interest-bearing liabilities)	3.92	4.17	3.71	3.96

Net yield on average interest-earning assets (net interest income as a percentage of average interest-earning assets)	4.07	4.04	3.81	N/A

PROVISION FOR LOAN LOSSES

The provision for loan losses is based on management's evaluation of the risk elements inherent in the loan portfolio. The elements include possible declines in the value of collateral due to changing economic conditions and depreciation over time, size and composition of the loan portfolio, current economic conditions that might affect a borrower's ability to pay, review of specific problem loans, findings and recommendations from regulatory examinations, historical charge-off experience, and levels of non-performing and past due loans. Management reviews these elements and determines the level of allowance for loan losses needed. The $48,104 provision for loan losses recorded in 1996 represents management's desire to maintain a prudent level of coverage. At September 30, 1996, the Bank believes its allowance for loan losses is adequate to provide for future losses. Table 1 sets forth an analysis of non-accruing and past due loans as of September 30, 1994 through 1996 while Table 2 provides an analysis of the allowance for loan losses, showing charge-offs and recoveries by type of loan as well as the addition to the allowance.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT'D)
First Georgia Holding, Inc. and subsidiary

Table 1 ANALYSIS OF NON-ACCRUING AND PAST DUE LOANS

	As of September 30, 1996	1995	1994
Non-accruing Loans (1)			
Real estate			
Construction	$ -	-	-
First mortgage	1,766,929	1,876,110	2,375,112
Second mortgage	19,764	82,918	49,169
Consumer	164,118	101,974	115,094
Total non-accruing loans	1,950,811	2,061,002	2,539,375
Past Due Loans (2)			
Real estate			
Construction	-	-	-
First mortgage	-	107,140	382,868
Second mortgage	-	-	-
Consumer	-	21,990	-
Total past due loans	-	129,130	382,868
Total non-accruing and past due loans	$ 1,950,811	2,190,132	2,922,243
Percentage of total loans	1.58%	1.98%	2.57%
Real estate acquired through foreclosure	$ 94,200	206,334	240,281
Total non-accruing and past due loans and nonperforming assets.	$ 2,045,011	2,396,466	3,162,524

(1) Non-accruing loans are loans for which unpaid interest is not recognized in income.

(2) Past due loans are 90 days or more delinquent for which interest is still accruing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONT'D)
First Georgia Holding, Inc. and subsidiary

Table 2 ANALYSIS OF ALLOWANCE FOR LOAN LOSSES

		Year Ended September 30,		
		1996	1995	1994
Beginning balance	$	1,003,569	983,058	968,784
Loans charged-off:				
Real estate construction		-	-	-
Real estate mortgage		152,684	177,417	26,416
Consumer and other		56,602	100,696	111,365
Total charge-offs		209,286	278,113	137,781
Recoveries:				
Real estate construction		-	-	-
Real estate mortgage		46,547	22,632	29,053
Consumer and other		66,354	61,850	84,002
Total recoveries		112,901	84,482	113,055
Net charge-offs		96,385	193,631	24,726
Provision charged to operations		48,104	214,142	39,000
Balance at end of period	$	955,288	1,003,569	983,058
Ratio of net charge-offs to average loans outstanding		0.08%	0.17%	0.02%
Ratio of allowance to total loans		0.77%	0.90%	0.87%

OTHER INCOME

Other Income decreased $264,919, or 20.88% for the year. The previous year's gain from the sale of the Alma Branch, totaling $122,043, was absent this year, causing a portion of the decrease. The Bank opened a new branch in Glynn county upon the sale of the Alma office, so the loss of fee income was not immediately offset as the new branch gained business. Consequently, loan fees were down $68,358 or 15.15% and deposit fees were down $45,885 or 7.63%. The new branch is growing steadily and should soon generate fee income to replace that lost on the sale of the Alma branch. The Bank continued its efforts to bank only high quality accounts where non-sufficient fund fees were minimal.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONT'D)
First Georgia Holding, Inc. and subsidiary

OTHER EXPENSES

Other Expenses increased $122,620, or 2.90% for the year, not including the one time SAIF assessment. The FDIC assessed each thrift institution an amount equal to 65.70 basis points of the institutions deposits at March 31, 1995 in order to recapitalize the SAIF Insurance Fund. The assessment charged to this institution was $727,704. The Bank's North Brunswick office opened in late October of 1995. While the branch has seen excellent growth, its income has not reached a level to offset the expense incurred in the organization of the branch. Consequently, salaries expense increased $53,926 or 2.79% and net occupancy expense increased $48,065 or 5.31%. Loss on the

Sale of Foreclosed Property was down $17,969 because the Bank was able to keep its foreclosed real estate to a minimum for most of the year. Amortization of intangibles decreased by $11,568, or 8.07% resulting from the write off of the intangible associated with the Alma branch, which was sold last year. The Bank continued to look for opportunities to reduce its Other Operating Expenses through better management of its people and the use of new technology. The Bank continually examines each phase of its operation for opportunities to reduce expenses. The Company incurred $364,386 in income tax expense for the year based on applicable income tax rates at September 30, 1996.

FINANCIAL CONDITION

Total Assets of the Company increased $14,175,876 from September 30, 1995 to September 30, 1996. Loans were the driving force behind this increase, as the net balances grew $11,999,236, or 10.87%. Loan demand remained strong throughout fiscal 1996, and Management took advantage of this demand by offering competitive loan products and exceptional service. Interest bearing deposits in other Banks increased $602,167, or 25.60% during 1996. An increase in deposits caused these short term investments to grow. Because of high cash balances, the Bank increased its investment securities by $1,144,559 or 12.47%. The objective is to earn a return on this money while protecting the Bank from adverse interest rate risk. The Real Estate Acquired in Settlement of Loans decreased $112,134, or 54.35%. This continued decrease in Real Estate Owned is representative of Management's commitment to maintain higher quality loan business and quick turnaround of its foreclosed property.

As mentioned previously, total deposits increased $15,026,768, or 14.11%. This increase represents an increase in the local market for deposits, leading to more attractive rates for depositors. With the increase in deposit balances, the Bank was able to decrease its Federal Home Loan Bank Advances by $848,000 or 7.10%. Other Borrowed Money decreased $100,000 during the year due to increased liquidity.

COMPARISON OF YEARS ENDED SEPTEMBER 30, 1995 AND 1994

RESULTS OF OPERATIONS

GENERAL

First Georgia Holding, Inc. reported Net Income of $1,277,088 in 1995, an increase of $214,911, or 20.23%. This increase in Net Income came as a result of several factors. First, the Net Interest Income after Provision for Loan Losses increased a total of $374,382. Other Income also increased slightly by a total of $70,797. Other expenses decreased slightly by a total of $17,208. All these coming together had a strong positive effect on the Company's Net Income.

INTEREST INCOME

Total Interest Income increased $1,413,140 for the year, or 13.84%. The major portion of the rise in Interest Income was in loans where Total Interest Income from Loans increased $1,157,386 or 11.91%. While Average Loans remained virtually unchanged from the previous year, the yields earned on the various loans increased. Mortgage-backed Securities Interest Income increased $131,433, or 164.9% as the Bank increased its position in these securities because of the variable rate most of these securities carry. This variable rate helps to shield the Company from adverse interest rate shock. Investment Securities Income increased by a total of $18,551 or 6.69% because of shifting of excess funds to investments with variable interest rates. Management feels that such investments are prudent because they tend to protect the Bank from wide interest rate swings. Other Interest Income increased significantly, by $105,770 or 74.57% for the year. The Bank held a large amount of cash in its Federal Home Loan Bank Overnight Account for the funding of the sale of the Alma branch. This large balance, over six million dollars near the end of the year, generated a substantial amount of interest income.

INTEREST EXPENSE
Total Interest Expense increased $863,616, or 15.58% for the year. The increase is attributable to an increase in average deposits of over a million dollars and an increase in the weighted average rate paid on deposits from 4.22% in 1994 to 4.80% in 1995. Increased competition for deposits in the area contributed to the higher interest rates the Bank was willing to pay depositors. Interest Expense on Borrowings rose a modest $4,310 or 0.41%. These borrowings were in the form of advances from the Federal Home Loan Bank.

OTHER INCOME
Other Income increased $70,797, or 5.91% for the year. The gain from the sale of the Alma Branch, totaling $122,043, was the most significant aspect of Other Income. Loan fees were up $28,378 (6.71%). Part of this increase came from the settlement of the sale of servicing rights for certain loans to another institution. Deposit service charges continued to decrease during the year, falling a total of $24,885. The Bank continued its efforts to bank only high quality accounts where non-sufficient fund fees were minimal.

OTHER EXPENSE
Other Expenses decreased $17,208, or 0.41% for the year. This reduction in Other Expenses occurred in several areas. Salaries and employee benefits were down $46,465, or 2.35%. The Bank tried to cut costs here by reassigning the duties of an employee who was leaving to an existing employee rather than hiring a new person. Loss on the Sale of Foreclosed Property was down $34,852, or 65.98% because the Bank was able to keep its foreclosed real estate to a minimum for most of the year. The Bank acquired a substantial amount of Furniture, Fixtures, and Equipment, causing Net Occupancy expense to increase $47,458, or 5.54% for the year. The Bank continued to look for opportunities to reduce its Other Operating Expenses through better management of its people and the use of new technology. The Bank continually examines each phase of its operation for opportunities to reduce expenses. The Company accrued $772,315 in income tax expense for the year based on applicable income tax rates at September 30, 1995.

FINANCIAL CONDITION

Total Assets of the Company decreased $1,127,633 from September 30, 1994, to September 30, 1995. The Bank as a whole grew enough to absorb the sale of over $3,000,000 in loans and over $6,000,000 in deposits as a result of the Alma branch sale. Interest bearing deposits in other Banks increased $1,635,299 during 1995. An increase in deposits caused these short term investments to be unusually high at September 30, 1995. Because of high cash balances, the Bank bought an additional $1,670,180 in investment securities. The objective is to earn a return on this money while protecting the Bank from adverse interest rate risk. The Real Estate Acquired in Settlement of Loans decreased $33,947, or 14.13%. This continued decrease in Real Estate Owned is representative of Management's commitment to resolve more of its loan problems. Premises and equipment decreased $407,562 (10.74%), due in large part to the sale of $270,163 in premises and equipment at the Alma branch.

As mentioned previously, total deposits increased

$3,120,234, or 3.02%. This increase represents an increase in the local market for deposits, leading to more attractive rates for depositors. The Bank repaid $4,800,000, or 28.66%, in Federal Home Loan Bank Advances due to the increased deposit demand. Other Borrowed Money decreased $1,048,000 from during the year due to increased liquidity.

EFFECT OF INFLATION AND CHANGING PRICES

First Georgia's consolidated financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. Unlike industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. Non-interest expenses, however, do reflect general levels of inflation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONT'D)
First Georgia Holding, Inc. and subsidiary

SHAREHOLDER INFORMATION

A limited trading market has developed in the Company's common stock which is quoted on the NASDAQ (National Association of Securities Dealers Automated Quotation) National Market System under the symbol "FGHC." Set forth below are the high and low sales prices of the Company's common stock for each full quarterly period since October 1992. Such prices reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not represent actual transactions.

Quarterly Period	High	Low
October 1 - December 31, 1994	4	3 1/2
January 1 - March 31, 1995	4 5/8	3 1/2
April 1 - June 30, 1995	4 5/8	4 1/8
July 1 - September 30, 1995	6 1/8	4 1/8
October 1 - December 31, 1995	8 1/8	5 3/4
January 1 - March 31, 1996*	7 5/8	5 3/4
April 1 - June 30, 1996	7 1/4	6
July 1 - September 30, 1996	7 1/4	6

*On February 29, the Company effected a 50% stock dividend in the form of a 3-for-2 stock split.

At November 1, 1995, the Company had 264 shareholders of record. The Company paid cash dividends of $0.067 per share in December 1995 and $0.04 per share in December 1994. The primary source of funds available to the Company is the payment of dividends by the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of the Bank's regulators. Approximately $3,070,000 was available to be paid as dividends by the Bank to the Company at September 30, 1996 upon regulatory approval.

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1703 Gloucester Street
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404 South Main Street
Hinesville, Georgia 31313

912-267-0010

912-876-2185

2001 Commercial Drive South
Brunswick, Georgia 31525
912-262-1500
(Opened October 1995)

1010 Plant Avenue
Waycross, Georgia 31501
912-287-2265

2461 Demere Road
St. Simons Island,
Georgia 31522
912-638-7118

Wal-Mart Supercenter
150 Altama Connector
Brunswick, Georgia 31525
912-280-9020
(Opened October 1996)

OTHER INFORMATION

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First Georgia Bank
1703 Gloucester Street
Brunswick, Georgia 31520

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Suite 2000
303 Peachtree Street, N.E.
Atlanta, Georgia 30308

Legal Counsel:

James A. Bishop
Suite 401
First Federal Plaza
Brunswick, Georgia 31520

Special Counsel:

Powell, Goldstein,Frazer & Murphy
Sixteenth Floor
191 Peachtree Street, N.E.
Atlanta, Georgia 30303

DIRECTORS AND OFFICERS

FIRST GEORGIA HOLDING, INC.

OFFICERS

HENRY S. BISHOP
President, Chief
Financial Officer

G. FRED COOLIDGE III
Secretary and Treasurer

DIRECTORS

HENRY S. BISHOP
President, Chief Executive
Officer, First Georgia Holding,
Inc.

B.W. BOWIE
Retired Senior Vice
President,General
Manager, and Director
Federal Paper Board Co.

TERRY DRIGGERS
President, Driggers Construction
Company

ROY K. HODNETT
President, T.H.E., Inc.
And The Island Inn

HUBERT W. LANG
President and Manager
Building Supply, Inc.

E. RAYMOND MOCK
President, Mock
Enterprises, Inc.,
Rayette Foods, Inc.,
KTP, Inc.

JAMES D. MOORE
President, J.D. Moore, Inc.

D. LAMONT SHELL
President, Glynn
Electric Supply Co.

FIRST GEORGIA BANK, ALTAMA

ELZIE JACOBS
Vice President

FIRST GEORGIA BANK, BRUNSWICK

HENRY S. BISHOP
President

G. FRED COOLIDGE III
Senior Vice President
Chief Financial Officer

DORIS THOMAS
Vice President, Consumer Lending

MARK A. WESTBERRY
Vice President, Credit

LAURA D. FRIEND
Vice President,
Operations Officer

DIANE A. BLAKEBROUGH
Vice President,
Internal Auditor

JUDY DIXON
Assistant Vice President

DIANE SHARPE
Loan Officer

GEORGE McMANUS
Loan Officer

JODI TODD
Assistant Vice President

SUSAN USSREY
Assistant Vice President

ELI D. MULLIS
Assistant Vice President

SHERRYL JAMES
Assistant Vice President

DIRECTORS AND OFFICERS

FIRST GEORGIA BANK, HINESVILLE

GERDA BENEDIK
Operations Manager

FIRST GEORGIA BANK, NORTH BRUNSWICK

FRED ALEXANDER
Vice President

CHINITA DAVIS
Assistant Vice President

FIRST GEORGIA BANK, ST. SIMONS ISLAND

MEL BAXTER
Vice President,
Commercial Lending

JAN WILDSMITH
Assistant Vice President
Operations Manager

PAUL SANDERS
Assistant Vice President

FIRST GEORGIA BANK, WAYCROSS/BLACKSHEAR

JON TAHLIER
President

LINDA R. WALKER
Assistant Vice President
Operations Manager

PAM TAYLOR
Vice President

EXHIBIT 23.0

INDEPENDENT ACCOUNTANTS' CONSENT

The Board of Directors
First Georgia Holding, Inc.

We consent to incorporation by reference in the registration statements (No. 33-62245 and No. 33-62249) on Form S-8 of First Georgia Holding, Inc. of our report dated November 1, 1996, relating to the consolidated balance sheets of First Georgia Holding, Inc. and subsidiary as of September 30, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended September 30, 1996, which report appears in the September 30, 1996 annual report on Form 10-KSB of First Georgia Holding, Inc.

KPMG PEAT MARWICK LLP

Atlanta, Georgia
December 27, 1996

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