GRAND CENTRAL FINANCIAL CORP
Form 10QSB
November 13, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark one)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2002

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to______________

Commission File Number 0-25045

GRAND CENTRAL FINANCIAL CORP.
(Exact name of small business issuer as specified in its charter)

Delaware	34-1877137
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

601 Main Street, Wellsville, Ohio 43968
(Address of principal executive offices)

(330) 532-1517
(Issuer's telephone number)

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

Class:	Outstanding at October 31, 2002
Common stock, $0.01 par value	1,695,921 shares

Transitional Small Business Disclosure Format (check one) Yes[ ] No[X]

GRAND CENTRAL FINANCIAL CORP.
FORM 10-QSB
QUARTER ENDED SEPTEMBER 30, 2002
INDEX

PART I. Financial Information

Item 1 - Financial Statements

GRAND CENTRAL FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands, except per share data)

	September 30, 2002	December 31, 2001
ASSETS		
Cash and amounts due from depository institutions	$ 10,179	$ 4,378
Interest-bearing deposits in other banks	2	2

Total cash and cash equivalents	10,181	4,380
Time deposits with other banks	7,155	7,006
Securities available for sale	1,512	2,092
Securities held to maturity (estimated fair value of $23,131 in 2002 and $23,528 in 2001)	22,739	23,343
Loans held for sale	925	8,221
Loans, net	62,392	70,570
Federal Home Loan Bank stock, at cost	3,446	3,328
Premises and equipment, net	849	849
Accrued interest receivable	446	530
Other assets	3,805	608
Total assets	$ 113,450	$ 120,927
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non interest-bearing	$ 2,298	$ 825
Interest-bearing	74,580	75,343
Total deposits	76,878	76,168
Federal Home Loan Bank advances	11,563	18,393
Loan payable	4,900	7,000
Advance payments by borrowers for taxes and insurance	714	603
Accrued interest payable	158	88
Other liabilities	1,466	515
Total liabilities	95,679	102,767
Commitments and Contingencies		
Preferred stock, authorized 1,000,000 shares, no shares issued and outstanding		
Common stock, $.01 par value, 6,000,000 shares authorized, 1,938,871 shares issued	19	19
Additional paid-in capital	8,304	8,310
Retained earnings, substantially restricted	13,966	13,962
Unearned stock based incentive plan shares	(185)	(270)
Treasury stock, 255,565 and 196,540 shares, at cost	(2,877)	(2,226)
Unearned Employee Stock Ownership Plan shares	(1,479)	(1,651)
Accumulated other comprehensive income	23	16
Total shareholders' equity	17,771	18,160
Total liabilities and shareholders' equity	$ 113,450	$ 120,927

See accompanying notes to consolidated financial statements.

GRAND CENTRAL FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands, except per share amount)

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
INTEREST INCOME				
Loans, including fees	$1,259	$1,523	$4,004	$5,083
Interest on securities	364	658	1,162	2,209
Interest-bearing deposits in banks	96	82	261	128
Total interest income	1,719	2,263	5,427	7,420
INTEREST EXPENSE				
Deposits	628	826	1,977	2,491
FHLB borrowings	163	341	504	1,333
Loan payable	74	116	237	385
Total interest expense	865	1,283	2,718	4,209
NET INTEREST INCOME	854	980	2,709	3,211
Provision for loan losses	5	-	5	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	849	980	2,704	3,211
NON-INTEREST INCOME				
Service charges	23	46	71	144
Gain on sale of loans	73	41	245	60
Gain on sale of securities	1	-	11	4
Other income	38	7	128	21
Total non-interest income	135	94	455	229
NON-INTEREST EXPENSE				
Salaries and employee benefits	440	413	1,342	1,311
Net occupancy expense	74	61	199	214
Data processing expense	33	33	101	104
FDIC assessments	9	4	16	11
Franchise taxes	74	84	225	235
Other expenses	198	60	579	735
Total non-interest expense	828	655	2,462	2,610
Income before income taxes	156	419	697	830

Income tax expense	42	144	234	284
Net income	$ 114	$ 275	$ 463	$ 546
Earnings per share				
Basic	$ .08	$ .18	$ .30	$ .35
Diluted	$ .07	$ .18	$ .29	$ .35

See accompanying notes to consolidated financial statements.

GRAND CENTRAL FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
(In thousands, except per share amount)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Employee Stock Ownership Plan Shares	Unearned Stock Based Incentive Plan Shares	Trea Sto
BALANCES AT JANUARY 1, 2002	$ 19	$ 8,310	$13,962	$(1,651)	$ (270)	$(2,
Commitment to release ESOP shares		(6)		172		
Release of incentive shares					85	
Cash dividends			(459)			
Purchase of treasury stock						(
Comprehensive income						
Net income, for nine months ended September 30, 2002			463			
Change in unrealized gain on securities available-for-sale, net of tax						
Total comprehensive income						
BALANCES AT SEPTEMBER 30, 2002	$ 19	$ 8,304	$13,966	$(1,479)	$ (185)	$(2,

See accompanying notes to consolidated financial statements.

GRAND CENTRAL FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(In thousands)

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
NET INCOME	$ 114	$ 275	$ 463	$ 546
Other comprehensive income, net of tax				
Unrealized gain (loss) on securities available for sale arising during the period	4	(1)	14	6
Less: Reclassification adjustment for accumulated gains included in net income	-	-	7	3
Unrealized gains (losses) on securities	4	(1)	7	3
COMPREHENSIVE INCOME	$ 118	$ 274	$ 470	$ 549

See accompanying notes to consolidated financial statements.

GRAND CENTRAL FINANCIAL CORP. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
NET CASH FROM OPERATING ACTIVITIES	$ 5,673	$ 1,280

CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available for sale		
Purchases	(228)	(77)
Proceeds from sales	319	-
Proceeds from maturities and payments	513	882
Securities held to maturity		
Purchases	(18,020)	-
Proceeds from maturities and payments	18,642	9,556
Change in time deposits with other banks	(149)	7,000
Net purchases of premises and equipment	88	(13)
Net change in loans	8,182	6,124
Net cash from investing activities	9,347	23,472
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	710	2,606
Net change in escrow accounts	111	(280)
Payment of loan payable	(2,100)	(500)
Cash dividends	(459)	(385)
Purchase of treasury stock	(651)	-
Proceeds from long-term FHLB advances	-	29,110
Repayment of long-term FHLB advances	(6,830)	(41,027)
Net cash from financing activities	(9,219)	(10,476)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,801	14,276
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,380	2,930
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 10,181	$ 17,206

See accompanying notes to consolidated financial statements.

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GRAND CENTRAL FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise indicated, amounts in thousand.

BASIS OF PRESENTATION: The accompanying consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission (the "SEC") and in compliance with accounting principles generally accepted in the United States of America. Because this report is based on an interim period, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted.

In the opinion of the management of the Grand Central Financial Corp. (the "Company"), the accompanying consolidated financial statements for the year to date and quarter ended September 30, 2002 and 2001 include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial condition and the results of operations for those periods. The financial performance reported for the Company for the three-month and nine-month periods ended September 30, 2002 is not necessarily indicative of the results to be expected for the full year. This information should be read in conjunction with the Company's Annual Report to Shareholders and Form 10-KSB for the period ended December 31, 2001.

EARNINGS PER SHARE: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. ESOP shares are considered outstanding for this calculation unless unearned. Stock-based incentive plan shares are considered outstanding as they become vested. Diluted earnings per common share include the dilutive effect of stock-based incentive plan shares and the additional potential common shares issuable under stock options. The basic weighted average numbers of shares were 1,542,098 and 1,540,291 and the diluted weighted average numbers of shares were 1,575,676 and 1,569,076 for the nine months ended September 30, 2002 and 2001, respectively. The basic weighted average numbers of shares were 1,516,970 and 1,547,490 and diluted weighted average numbers of shares were 1,540,048 and 1,561,819 for the three months ended September 30, 2002 and 2001, respectively.

8.

GRAND CENTRAL FINANCIAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OR PLAN OF OPERATION

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions, which are not subject to certain risks and uncertainties for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of these safe harbor provisions. When used herein, the terms "anticipates", "plans", "expects", "believes", and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. The Company's actual results, performance or achievements may materially differ from those expressed or implied in the forward-looking statements. Risks and uncertainties that could cause or contribute to such material differences include, but are not limited to, general economic conditions, interest rate environment, competitive conditions in the financial services industry, changes in law, governmental policies and regulations, and rapidly changing technology affecting financial services.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the SEC.

The Company does not undertake - and specifically disclaims any obligation - to publicly release the result of any revisions, which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

GRAND CENTRAL FINANCIAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OR PLAN OF OPERATION

GENERAL

The Company is the holding company for its wholly-owned subsidiary, Central Federal Savings and Loan Association of Wellsville (the "Association"), and all material business of the Company is transacted through the Association. The Company's results of operations are dependent primarily on net interest income, which is the difference ("spread") between the interest income earned on its loans, mortgage-backed securities, and securities portfolio and its cost of funds, consisting of interest paid on its deposits and borrowed funds. The interest rate spread is affected by regulatory, economic and competitive factors that influence interest rates, loan demand and deposit flows. The Company's net income is also affected by, among other things, loan fee income, provisions for loan losses, service charges, operating expenses and franchise and income taxes. The Company's revenues are derived primarily from interest on mortgage loans, consumer loans, mortgage-backed securities and securities, as well as income from service charges and loan originations. The Company's operating expenses principally consist of employee compensation and benefits, occupancy, federal deposit-insurance premiums and other general and administrative expenses. The Company's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory authorities. Future changes in applicable law, regulations or government policies may materially impact the Company.

MANAGEMENT STRATEGY

The Company is a community-oriented financial institution offering a variety of financial services to meet the needs of the communities it serves. The Company attracts deposits from the general public and uses such deposits, together with borrowings and other funds, to originate one-to four-family residential mortgage loans and short-term consumer loans. To a lesser extent, the Company also originates residential construction loans in its market area and a limited amount of commercial business loans and loans secured by multi-family and non-residential real estate. Management's efforts to increase the Company's volume of shorter-term consumer loans have been intended to help reduce interest rate risk, as well as to build on the Company's residential mortgage business. The Company's deposits are insured up to the maximum allowable amount by the Savings Association Insurance Fund (the "SAIF"), and administered by the Federal Deposit Insurance Corporation (the "FDIC"). The

Company also invests in mortgage-backed securities, most of which are insured or guaranteed by federal agencies, as well as securities issued by the U.S. government or agencies thereof.

The Company is not aware of any market or institutional trends, events or uncertainties that are expected to have a material effect on liquidity, capital resources or operations, except as discussed below. The Company is also not aware of any current recommendations by its regulators which would have a material effect if implemented, except as discussed below.

GRAND CENTRAL FINANCIAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OR PLAN OF OPERATION

The following discussion compares the financial conditions of the Company and the Association at September 30, 2002 to December 31, 2001 and the results of operations for the three months ended September 30, 2002 and 2001 and the nine months ended September 30, 2002 and 2001. This discussion should be read in conjunction with the interim financial statements and footnotes included herein.

COMPARISON OF FINANCIAL CONDITION AT SEPTEMBER 30, 2002 AND DECEMBER 31, 2001

Total assets of the Company were $113.5 million at September 30, 2002 compared to $120.9 million at December 31, 2001, representing a decrease of $7.4 million, or 6.2%. The primary component in the decrease in total assets was a $15.5 million decrease in loans and loans held for sale, which was partially offset by an increase in cash and cash equivalents of $5.8 million. The decrease in loans was primarily due to refinancing activity during the quarter. Interest rates for long-term fixed rate home mortgage loans continue to stay near 40 year lows. Management decided to sell new loans rather than hold them in its portfolio. The Company has also had a decline in consumer loans, which are mostly automobile loans, of $3.5 million or 19.5% due to local competition from dealers offering special rebates and financing programs. The Company currently grants loans for both new and used automobile purchases. The weighted average rate earned on new and used automobile loans was 6.9% at September 30, 2002. Maturities for new and used automobile loans range from 24 months to 66 months. The Company does not originate sub prime automobile loans. Cash and cash equivalents increased due to the Company having excess funds from the sale of loans and through the increase in deposits.

During the third quarter of 2002, the Association purchased $3.0 million of Bank Owned Life Insurance ("BOLI") to help fund future deferred compensation plans. This transaction accounted for the majority of the change in other assets, which increased by $3.2 million from December 31, 2001 to September 30, 2002.

The Company also reduced advances from the Federal Home Loan Bank of Cincinnati (the "FHLB") by $6.8 million or 37.1% from year-end 2001. The Company had used the advances to fund loan growth, but, based on the current lending environment, the advances are no longer needed. Management would consider using advances to fund loan demand, if needed in the future.

COMPARISON OF RESULTS OF OPERATIONS FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

General. Net income for the three months ended September 30, 2002 decreased by $161,000 or 58.6% from $275,000 for the three months ended September 30, 2001 to $114,000 for the three months ended September 30, 2002. Net income decreased $83,000 or 15.2% for the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001. The decline in net income was primarily due to the decrease in net interest income for the nine months and three months ended September 30, 2002 as compared to the same periods in 2001.

Net Interest Income. Net interest income is the largest component of the Company's net income, and consists of the difference between interest income generated on interest-earning assets and interest expense incurred on interest-bearing liabilities. Net interest income is primarily affected by the volume, interest rates and composition of interest-earning assets and interest-bearing liabilities. The majority of the decrease in interest income and interest expense was due to the decrease in volume of interest-earning assets during 2002 and to a lesser extent, to decreases in rates earned on remaining assets. .

Net interest income decreased approximately $502,000, or 15.6% and $126,000 or 12.9%, for the nine and three months ended September 30, 2002 compared with the same periods in 2001. The primary reason for the decrease in net interest income was the decrease in interest income of $2.0 million or 26.9% and $544,000 or 24.0% for the nine months and three months ended September 30, 2002 when compared to the same periods for 2001. As mentioned earlier, rates for one- to -four-family mortgages have been at historic lows over the past twelve months resulting in high refinancing activity. Due to refinancing, the Company has a smaller portfolio at a lower earning rate, resulting in lower interest income. The Company experienced similar circumstances with automobile loans. Management is in the process of reviewing its lending policies in relation to current market conditions and has introduced new adjustable rate products to stimulate loan growth.

The Company also earned less interest from its securities portfolio during the nine months and three months ended September 30, 2002, sustaining a decrease of $1.0 million and $294,000 or 47.4% and 44.7% when compared to the same periods in 2001. Most of the Company's investments are in mortgage-backed instruments, which experienced similar rate reductions and prepayments similar to those on one-to-four family mortgages.

The decrease in interest income was offset substantially by the decrease in interest expense. Interest expense for the nine months ended September 30, 2002 decreased $1.5 million or 35.4% compared to the first nine months of 2001 and decreased $418,000 or 32.6% for the three months ended September 30, 2002 when compared to the three months ended September 30, 2001. The decreases were due to the declining interest rate environment during 2001 and 2002. The Company was able to decrease its interest expense while increasing overall deposits. Due to economic events during 2001, consumers moved money from the stock market into bank deposit accounts. The Company also was able to reduce its advances with the FHLB with the funds received from loan and security repayments and deposit growth. The Company reduced interest expense for FHLB advances by $829,000 for the nine months ended September 30, 2002 and $178,000 for the three months ended September 30, 2002, respectively, when compared to the same periods in 2001.

Provision for Loan Losses. The provision for loan losses is based on management's regular review of the loan portfolio, which considers factors such as past experience, prevailing general economic conditions and considerations applicable to specific loans, such as the ability of the borrower to repay the loan and the estimated value of the underlying collateral, as well as changes in the size and growth of the loan portfolio.

A provision for loan losses of $5,000 was recorded during the nine months and three months ended September 30, 2002. Management provided the $5,000 provision for loan losses as a result of its quarterly calculation, and its estimate of losses, which can be reasonably estimated, taking into account the current economic climate. No provision for loan losses was recorded during the same period in 2001. At September 30, 2002, the allowance for loan losses represented .57% of total loans as compared to .47% at December 31, 2001. Management believes that the allowance for loan losses represents a reasonable estimate of probable losses; however, future additions to the allowance may be necessary based on changes in economic conditions.

Non-interest Income. The Company experienced a $226,000, or 98.7%, increase in non-interest income for the nine months ended September 30, 2002 compared to the same period in 2001. For the three months ended September 30, 2002, non-interest income increased $41,000 or 43.6% as compared to the same period in 2001. The majority of the increase was due to the gain on sale of loans. Gain on sale of loans for the nine months ended September 30, 2002 increased $185,000 from $60,000 in the 2001 period to $245,000 in 2002. The Company sold $16.8 million of loans that were held for sale at December 31, 2001 along with loans originated during the nine months ended September 30, 2002. Management decided to sell low rate long-term assets instead of holding them in its portfolio. Management has sold loans in the past and will continue to do so depending on the market environment. The other income grew as well for the nine months and three months ended September 30, 2002 due to income for the BOLI and a $40,000 gain on sale of other real estate owned. The overall increase in non-interest income was offset by the decrease in income from service charges on deposits, due to the closing of branches during 2001. The decreasing trend stabilized during 2002 management believes and should remain constant in its current status.

Non-interest Expense. The Company experienced a $148,000, or 5.7%, decrease in non-interest expense for the nine months ended September 30, 2002 and experienced an increase of $173,000 or 26.4% for the three months ended September 30, 2002 as compared to the same periods in 2001. The year to date decrease is due to management's decision to close a branch during 2001. As a result of the closing, occupancy expense, data processing expense and other expenses decreased. The increase in non-interest expense for the three months ended September 30, 2002 is mainly due to the increase in other expenses. Other expenses increased primarily due to additional amortization that the Company recorded on mortgage servicing rights and increased unamortized loan expenses.

Income Taxes. The provision for income taxes totaled $42,000 and $234,000 for the three months and nine months ended September 30, 2002 as compared to $144,000 and $284,000 for the three months and nine months ended September 30, 2001, due to the decrease in income before taxes.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are the Association's deposits, principal and interest payments on loans, mortgage-backed and investment securities and borrowings from the FHLB. The Company uses the funds generated to support its lending and investment activities as well as any other demands for liquidity such as deposit outflows. While maturities and scheduled amortization of loans are predictable sources of funds, deposit flows, mortgage prepayments and the exercise of call features are greatly influenced by general interest rates, economic conditions and competition. At September 30, 2002, the Company's liquidity ratio was 25.0%.

The Company's most liquid assets are cash and cash equivalents. The levels of those assets are dependent on the Company's operating, financing, lending and investing activities during any given period. At September 30, 2002, cash and cash equivalents totaled $10.2 million, or 9.0% of total assets.

The Company has other sources of liquidity if a need for additional funds arises, including FHLB advances. At September 30, 2002, the Company had unused borrowing capacity from the FHLB of $57.4 million. Depending on market conditions, the pricing of deposit products and FHLB advances, the Company may use FHLB borrowing to fund asset growth.

The Company relies primarily on competitive rates, customer service and long-standing relationships with customers to retain deposits. Based on the Company's experience with deposit retention and current retention strategies, management believes that, although it is not possible to predict future terms and conditions upon renewal, a significant portion of such deposits will remain with the Company.

At September 30, 2002, the Company exceeded all of its regulatory capital requirements with a Tier 2 capital level of $20.4 million, or 35.9%, of total adjusted assets, which exceeds the required level of $9.0 million, or 8.0%; Tier 1 capital level of $20.4, or 18.1%, of total adjusted assets, which exceeds the required level of $4.5 million, or 4.0%; and risk-based capital of

$20.8 million, or 36.6% of risk-weighted assets, which exceeds the required level of $4.6 million, or 8.0%.

The Company approved the return of capital of $6.00 per share in March 2000 due to the excess capital raised during the initial public offering. During 1999, the Company reevaluated its branching strategy and decided to close certain under-performing, in-store branch locations. As a result of this analysis, the Company reevaluated its current and anticipated future capital needs and determined it was in the best interest of the Company and its shareholders to reduce the level of capital in the Company.

The Company has completed its restructuring/rightsizing plans and evaluated all of its branch operations. Based on those evaluations, management does not anticipate closing any additional branch locations in the future. In addition, management took advantage of higher liquidity in 2002 to repay short term FHLB advances. All advances that could be repaid without penalty have been repaid; and management does not intend any further reduction to this type of funding other than through normal contractual repayment of the advances. Since management has no further plans to close branch locations or reduce the level of FHLB advances, other than through normal repayments, management does not anticipate any impact on the results of operations, liquidity or capital resources as a result of restructuring/rightsizing plans. The Company will continue to realize a benefit from reducing staffing and occupancy costs in 2002 compared to 2001 due to the branch closed during 2001.

Item 3. - Controls and Procedures

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the chief executive officer and chief financial officer of the Company concluded that the Company's disclosure controls and procedures were adequate.

(b) CHANGES IN INTERNAL CONTROLS. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and chief financial officer.

GRAND CENTRAL FINANCIAL CORP.
FORM 10-QSB
Quarter ended September 30, 2002
PART II - OTHER INFORMATION

Item 1. Legal Proceedings.
None

Item 2. Changes in Securities and Use of Proceeds.
None

Item 3. Defaults Upon Senior Securities.
None

Item 4. Submission of Matters to a Vote of Security Holders.
None

Item 5. Other Information.
None

Item 6. Exhibits and Reports on Form 8-K.

(a)

Exhibit Number	Exhibit
3.1	Certificate of Incorporation*
3.2	Bylaws*
4.0	Form of Common Stock Certificate*
11.1	Statement Re Computation of earnings per common share
99.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Sect pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Sect pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference into this document from the Exhibits filed with the Registration Statement on Form SB-2 and any amendments thereto, Registration No. 333-64089.

16.

GRAND CENTRAL FINANCIAL CORP.
FORM 10-QSB
Quarter ended September 30, 2002

PART II - OTHER INFORMATION

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the period, as restated for shares issued in business combinations accounted for as pooling-of-interests, stock splits and stock dividends. Diluted earnings per share is computed using the weighted average number of shares determined for the basic computation plus the number of shares of common stock that would be issued assuming all contingently issuable shares having a dilutive effect on earnings per share were outstanding for the period.

The weighted average number of common shares outstanding for basic and diluted earnings per share computations were as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2002	2001	2002	2001
Numerator:				
Net income	$ 463	$ 546	$ 114	$ 275
Denominator:				
Weighted-average common shares outstanding (basic)	1,542,098	1,540,291	1,516,970	1,547,490
Exercise of options	33,578	28,785	23,078	14,329
Weighted-average common shares outstanding (diluted)	1,575,676	1,569,076	1,540,048	1,561,819
Earnings per share:				
Basic	$ .30	$ .35	$ .08	$ .18
Diluted	$ .29	$ .35	$ .07	$ .18

(b) Reports on Form 8-K - on September 20, 2002, the issuer filed a Form 8-K. The information reported is as follows:

Grand Central Financial Corp. reported the declaration of a $0.09 per share cash dividend payable October 21, 2002 to stockholders of record at the close of business on October 7, 2002.

SIGNATURES

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

GRAND CENTRAL FINANCIAL CORP.

Dated: November 13, 2002 By: /s/ William R. Williams

William R. Williams
President and Chief Executive Officer
(principal executive officer)

Dated: November 13, 2002 By: /s/ John A. Rife

John A. Rife
Executive Vice President and Treasurer
(principal accounting and financial officer)

CERTIFICATIONS

I, William R. Williams, President and Chief Executive Officer of Grand Central Financial Corp ("the Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of the Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

William R. Williams
President and Chief Executive Officer

I, John A. Rife, Executive Vice President and Treasurer of Grand Central Financial Corp ("the Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of the Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial

information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

John A. Rife

Executive Vice President and Treasurer