

FIRST CAPITAL INC
Form 10-Q
May 13, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-25023

First Capital, Inc.

(Exact name of registrant as specified in its charter)

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Indiana
(State or other jurisdiction of

35-2056949
(I.R.S. Employer

incorporation or organization)

Identification Number)

220 Federal Drive NW, Corydon, Indiana 47112

(Address of principal executive offices) (Zip Code)

Registrant's telephone number including area code 1-812-738-2198

Not applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one): Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 2,787,271 shares of common stock were outstanding as of April 29, 2011.

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PART I - FINANCIAL INFORMATION
FIRST CAPITAL, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(Unaudited)

| | March 31, 2011 | December 31, 2010 |
|--|---------------------------|------------------------------|
| | <i>(In thousands)</i> | |
| ASSETS | | |
| Cash and due from banks | \$ 12,805 | \$ 10,463 |
| Interest bearing deposits with banks | 1,410 | 2,496 |
| Federal funds sold | 13,812 | 8,616 |
| Total cash and cash equivalents | 28,027 | 21,575 |
| Securities available for sale, at fair value | 102,294 | 100,851 |
| Securities-held to maturity | 18 | 32 |
| Loans, net | 287,092 | 294,550 |
| Loans held for sale | 732 | 4,375 |
| Federal Home Loan Bank stock, at cost | 3,194 | 3,194 |
| Foreclosed real estate | 803 | 591 |
| Premises and equipment | 10,867 | 10,992 |
| Accrued interest receivable | 1,901 | 1,894 |
| Cash value of life insurance | 5,842 | 5,789 |
| Goodwill | 5,386 | 5,386 |
| Core deposit intangibles | 80 | 98 |
| Other assets | 2,992 | 3,051 |
| Total Assets | \$ 449,228 | \$ 452,378 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing | \$ 48,140 | \$ 40,774 |
| Interest-bearing | 326,493 | 337,229 |
| Total deposits | 374,633 | 378,003 |
| Retail repurchase agreements | 8,698 | 8,669 |
| Advances from Federal Home Loan Bank | 15,529 | 15,729 |
| Accrued interest payable | 549 | 649 |
| Accrued expenses and other liabilities | 1,465 | 1,324 |
| Total liabilities | 400,874 | 404,374 |
| EQUITY | | |
| First Capital, Inc. stockholders' equity: | | |
| Preferred stock of \$.01 par value per share | | |
| Authorized 1,000,000 shares; none issued | | |
| Common stock of \$.01 par value per share | | |
| Authorized 5,000,000 shares; issued 3,164,420 shares | 32 | 32 |

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| | | |
|--|-------------------|-------------------|
| Additional paid-in capital | 24,313 | 24,313 |
| Retained earnings-substantially restricted | 30,809 | 30,442 |
| Accumulated other comprehensive income | 370 | 391 |
| Less treasury stock, at cost - 377,149 shares (377,119 shares in 2010) | (7,285) | (7,285) |
| Total First Capital, Inc. stockholders' equity | 48,239 | 47,893 |
| Noncontrolling interest in subsidiary | 115 | 111 |
| Total equity | 48,354 | 48,004 |
| Total Liabilities and Equity | \$ 449,228 | \$ 452,378 |

See accompanying notes to consolidated financial statements.

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PART I - FINANCIAL INFORMATION

FIRST CAPITAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

| | Three Months Ended | |
|---|--|--------------|
| | March 31, | |
| | 2011 | 2010 |
| | <i>(In thousands, except per share data)</i> | |
| INTEREST INCOME | | |
| Loans, including fees | \$ 4,339 | \$ 4,646 |
| Securities: | | |
| Taxable | 453 | 551 |
| Tax-exempt | 271 | 260 |
| Federal Home Loan Bank dividends | 27 | 18 |
| Federal funds sold and interest bearing deposits with banks | 9 | 4 |
| Total interest income | 5,099 | 5,479 |
| INTEREST EXPENSE | | |
| Deposits | 878 | 1,231 |
| Retail repurchase agreements | 16 | 17 |
| Advances from Federal Home Loan Bank | 158 | 261 |
| Total interest expense | 1,052 | 1,509 |
| Net interest income | 4,047 | 3,970 |
| Provision for loan losses | 500 | 460 |
| Net interest income after provision for loan losses | 3,547 | 3,510 |
| NONINTEREST INCOME | | |
| Service charges on deposit accounts | 674 | 588 |
| Commission income | 30 | 38 |
| Gain on sale of mortgage loans | 125 | 117 |
| Mortgage brokerage fees | 14 | |
| Increase in cash surrender value of life insurance | 53 | 56 |
| Other income | 27 | 24 |
| Total noninterest income | 923 | 823 |
| NONINTEREST EXPENSE | | |
| Compensation and benefits | 1,830 | 1,766 |
| Occupancy and equipment | 329 | 338 |
| Professional fees | 149 | 206 |
| Advertising | 30 | 39 |
| Other expenses | 914 | 541 |
| Total noninterest expense | 3,252 | 2,890 |

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| | | |
|--|---------|----------|
| Income before income taxes | 1,218 | 1,443 |
| Income tax expense | 319 | 439 |
| Net Income | 899 | 1,004 |
| Less: net income attributable to the noncontrolling interest in subsidiary | 3 | 3 |
| Net Income Attributable to First Capital, Inc. | \$ 896 | \$ 1,001 |
| Other comprehensive income (loss), net of tax: | | |
| Unrealized gain (loss) on securities: | | |
| Unrealized holding gains (losses) arising during the period | (21) | 281 |
| Less: reclassification adjustment | | |
| Other comprehensive income (loss) | (21) | 281 |
| Comprehensive Income | \$ 875 | \$ 1,282 |
| Earnings per common share attributable to First Capital, Inc.: | | |
| Basic | \$ 0.32 | \$ 0.36 |
| Diluted | \$ 0.32 | \$ 0.36 |
| Dividends per share on common shares | \$ 0.19 | \$ 0.18 |

See accompanying notes to consolidated financial statements.

Table of Contents**PART I - FINANCIAL INFORMATION****FIRST CAPITAL, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS***(Unaudited)*

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2011 | 2010 |
| | <i>(In thousands)</i> | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 899 | \$ 1,004 |
| Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities: | | |
| Amortization of premiums and accretion of discounts on securities, net | 242 | 203 |
| Depreciation and amortization expense | 211 | 241 |
| Deferred income taxes | 7 | (163) |
| Increase in cash value of life insurance | (53) | (56) |
| Provision for loan losses | 500 | 460 |
| Proceeds from sales of mortgage loans | 6,927 | 7,567 |
| Mortgage loans originated for sale | (3,159) | (6,894) |
| Net gain on sale of mortgage loans | (125) | (117) |
| (Increase) decrease in accrued interest receivable | (7) | 124 |
| Decrease in accrued interest payable | (100) | (195) |
| Net change in other assets/liabilities | 213 | 768 |