

FIRST CAPITAL INC
Form 10-Q
November 14, 2007
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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 September 30, 2007

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)

Indiana
(State or other jurisdiction of

incorporation or organization)

220 Federal Drive NW, Corydon, Indiana 47112

(Address of principal executive offices) (Zip Code)

35-2056949
(I.R.S. Employer

Identification Number)

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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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer

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: 2,809,492 shares of common stock were outstanding as of October 31, 2007.

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

(Unaudited)

	September 30, 2007	December 31, 2006
	<i>(In thousands)</i>	
ASSETS		
Cash and due from banks	\$ 11,838	\$ 14,002
Interest bearing deposits with banks	55	10,155
Federal funds sold	342	311
Total cash and cash equivalents	12,235	24,468
Securities available for sale, at fair value	72,268	71,362
Securities-held to maturity	1,053	1,118
Loans, net	332,654	333,575
Loans held for sale	123	2,275
Federal Home Loan Bank stock, at cost	3,551	3,551
Foreclosed real estate	809	941
Premises and equipment	9,666	9,224
Accrued interest receivable	2,521	2,497
Cash surrender value of life insurance	5,068	1,349
Goodwill	5,386	5,386
Core deposit intangibles	335	390
Other assets	1,120	969
Total Assets	\$ 446,789	\$ 457,105
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 35,846	\$ 36,218
Interest-bearing	288,611	294,925
Total Deposits	324,457	331,143
Retail repurchase agreements	8,566	19,228
Advances from Federal Home Loan Bank	65,494	59,461
Accrued interest payable	1,805	1,863
Accrued expenses and other liabilities	1,349	1,321
Total Liabilities	401,671	413,016
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 3,118,661 shares (3,113,705 shares in 2006)	31	31
Additional paid-in capital	23,763	23,647
Retained earnings-substantially restricted	27,858	26,783

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Unearned ESOP shares	(142)	(203)
Accumulated other comprehensive income	(394)	(581)
Less treasury stock, at cost 295,189 shares (271,881 shares in 2006)	(5,998)	(5,588)
Total Stockholders' Equity	45,118	44,089
Total Liabilities and Stockholders' Equity	\$ 446,789	\$ 457,105

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		Nine Months Ended	
	September 30,		September 30,	
	2007		2006	
	<i>(In thousands, except per share data)</i>			
INTEREST INCOME				
Loans, including fees	\$ 5,924	\$ 5,837	\$ 17,511	\$ 16,936
Securities:				
Taxable	597	548	1,779	1,712
Tax-exempt	207	181	604	530
Federal Home Loan Bank dividends	39	41	121	134
Federal funds sold and interest bearing deposits with banks	22	28	285	108
Total interest income	6,789	6,635	20,300	19,420
INTEREST EXPENSE				
Deposits	2,532	2,339	7,559	6,499
Retail repurchase agreements	125	292	548	618
Advances from Federal Home Loan Bank	799	720	2,192	2,120
Total interest expense	3,456	3,351	10,299	9,237
Net interest income	3,333	3,284	10,001	10,183
Provision for loan losses	118	215	378	585
Net interest income after provision for loan losses	3,215	3,069	9,623	9,598
NON-INTEREST INCOME				
Service charges on deposit accounts	662	611	1,870	1,769
Commission income	39	69	131	239
Gain on sale of mortgage loans	106	116	358	229
Mortgage brokerage fees	18	5	96	71
Increase in cash surrender value of life insurance	56	11	93	30
Other income	18	18	73	57
Total non-interest income	899	830	2,621	2,395
NON-INTEREST EXPENSE				
Compensation and benefits	1,600	1,535	4,858	4,600
Occupancy and equipment	330	304	962	881
Data processing	175	172	518	478
Professional fees	112	102	318	301
Advertising	93	73	282	246
Other operating expenses	502	459	1,609	1,418
Total non-interest expense	2,812	2,645	8,547	7,924
Income before income taxes	1,302	1,254	3,697	4,069

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Income tax expense	409	402	1,186	1,347
Net Income	\$ 893	\$ 852	\$ 2,511	\$ 2,722
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized gain on securities:				
Unrealized holding gains arising during the period	522	573	187	72
Less: reclassification adjustment				
Other comprehensive income	522	573	187	72
Comprehensive Income	\$ 1,415	\$ 1,425	\$ 2,698	\$ 2,794
Net income per common share, basic	\$ 0.32	\$ 0.30	\$ 0.89	\$ 0.96
Net income per common share, diluted	\$ 0.32	\$ 0.30	\$ 0.88	\$ 0.96

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)*

	Nine Months Ended September 30,	
	2007	2006
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,511	\$ 2,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and accretion of discounts	12	25
Depreciation and amortization expense	561	546
Deferred income taxes	(73)	(133)
ESOP and stock compensation expense	133	138
Increase in cash value of life insurance	(94)	(30)
Provision for loan losses	378	585
Proceeds from sales of mortgage loans	20,907	13,048
Mortgage loans originated for sale	(18,397)	(13,877)
Net gain on sale of mortgage loans	(358)	(229)
(Increase) decrease in accrued interest receivable	(24)	34
Increase (decrease) in accrued interest payable	(58)	159
Net change in other assets/liabilities	(157)	152
Net Cash Provided By Operating Activities	5,341	3,140
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	(11,037)	(4,390)
Proceeds from maturities of securities available for sale	7,208	8,056
Proceeds from maturities of securities held to maturity	48	35
Principal collected on mortgage-backed securities	3,226	3,043
Investment in cash surrender value of life insurance	(3,625)	