

FIRST CAPITAL INC
Form 10-Q
August 11, 2006
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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 JUNE 30, 2006

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: 2,846,572 shares of common stock were outstanding as of July 31, 2006.

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	June 30, 2006	December 31, 2005
	<i>(In thousands)</i>	
ASSETS		
Cash and due from banks	\$ 12,968	\$ 12,625
Interest bearing deposits with banks	3,042	1,780
Fed funds sold	271	268
Total cash and cash equivalents	16,281	14,673
Securities available for sale, at fair value	69,631	75,721
Securities-held to maturity	1,157	1,194
Loans, net	335,236	322,453
Loans held for sale	1,082	
Federal Home Loan Bank stock, at cost	3,746	3,746
Foreclosed real estate	677	749
Premises and equipment	9,129	9,287
Accrued interest receivable	2,415	2,462
Cash value of life insurance	1,328	1,308
Goodwill	5,386	5,386
Core deposit intangibles	426	463
Other assets	1,455	912
Total Assets	\$ 447,949	\$ 438,354
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 35,774	\$ 35,110
Interest-bearing	286,476	282,154
Total Deposits	322,250	317,264
Retail repurchase agreements	24,346	10,704
Advances from Federal Home Loan Bank	56,049	65,947
Accrued interest payable	1,654	1,498
Accrued expenses and other liabilities	1,127	984
Total Liabilities	405,426	396,397
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 3,113,358 shares (2,852,509 shares in 2005)	31	29
Additional paid-in capital	23,596	19,403
Retained earnings-substantially restricted	25,863	28,989
Unearned ESOP shares	(205)	(246)
Unearned stock compensation	(1)	(2)

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Accumulated other comprehensive income	(1,267)	(766)
Less treasury stock, at cost - 266,786 shares (264,398 shares in 2005)	(5,494)	(5,450)
Total Stockholders' Equity	42,523	41,957
Total Liabilities and Stockholders' Equity	\$ 447,949	\$ 438,354

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	<i>(In thousands, except per share data)</i>			
INTEREST INCOME				
Loans, including fees	\$ 5,663	\$ 5,029	\$ 11,099	\$ 9,917
Securities:				
Taxable	568	563	1,164	1,051
Tax-exempt	180	161	349	319
Federal Home Loan Bank dividends	47	39	93	78
Fed funds sold and interest bearing deposits with banks	36	73	80	120
Total interest income	6,494	5,865	12,785	11,485
INTEREST EXPENSE				
Deposits	2,142	1,701	4,160	3,298
Retail repurchase agreements	189	62	326	78
Advances from Federal Home Loan Bank	692	774	1,400	1,562
Total interest expense	3,023	2,537	5,886	4,938
Net interest income	3,471	3,328	6,899	6,547
Provision for loan losses	200	163	370	313
Net interest income after provision for loan losses	3,271	3,165	6,529	6,234
NON-INTEREST INCOME				
Service charges on deposit accounts	613	523	1,158	1,032
Commission income	84	61	170	190
Gain on sale of mortgage loans	63	79	113	166
Mortgage brokerage fees	35	52	66	94
Other income	14	40	39	59
Total non-interest income	809	755	1,546	1,541
NON-INTEREST EXPENSE				
Compensation and benefits	1,546	1,439	3,046	2,950
Occupancy and equipment	297	297	577	566
Data processing	145	184	306	383
Professional fees	90	100	199	185
Advertising	88	90	173	155
Other operating expenses	511	482	959	944
Total non-interest expense	2,677	2,592	5,260	5,183
Income before income taxes	1,403	1,328	2,815	2,592
Income tax expense	467	456	945	864
Net Income	\$ 936	\$ 872	\$ 1,870	\$ 1,728

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OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX

Unrealized gain (loss) on securities:

Unrealized holding gains (losses) arising during the period	(373)	497	(501)	(142)
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Less: reclassification adjustment

Other comprehensive income (loss)	(373)	497	(501)	(142)
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Comprehensive Income	\$ 563	\$ 1,369	\$ 1,369	\$ 1,586
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Net income per common share, basic	\$ 0.33	\$ 0.31	\$ 0.66	\$ 0.61
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Net income per common share, diluted	\$ 0.33	\$ 0.31	\$ 0.66	\$ 0.61
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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)*

	Six Months Ended June 30,	
	2006	2005
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,870	\$ 1,728
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and accretion of discounts	17	74
Depreciation and amortization expense	364	423
Deferred income taxes	(112)	223
ESOP and stock compensation expense	93	81
Increase in cash value of life insurance	(19)	(20)
Provision for loan losses	370	313
Proceeds from sales of mortgage loans	7,314	11,108
Mortgage loans originated for sale	(8,283)	(11,455)
Net gain on sale of mortgage loans	(113)	