

FIRST CAPITAL INC  
Form 10-Q  
August 13, 2014  
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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, 2014

**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** **35-2056949**  
**(State or other jurisdiction of** **(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

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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: 2,741,325 shares of common stock were outstanding as of July 31, 2014.

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	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	<i>(In thousands)</i>	
<b>ASSETS</b>		
Cash and due from banks	\$ 11,236	\$ 10,058
Interest bearing deposits with banks	1,110	467
Federal funds sold	3,082	611
<b>Total cash and cash equivalents</b>	<b>15,428</b>	<b>11,136</b>
Interest-bearing time deposits	5,900	4,425
Securities available for sale, at fair value	107,254	108,762
Securities-held to maturity	8	9
Loans, net	297,997	288,506
Loans held for sale	3,824	1,611
Federal Home Loan Bank stock, at cost	2,820	2,820
Foreclosed real estate	49	466
Premises and equipment	10,472	10,347
Accrued interest receivable	1,551	1,716
Cash value of life insurance	6,409	6,332
Goodwill	5,386	5,386
Other assets	2,439	2,868
<b>Total Assets</b>	<b>\$ 459,537</b>	<b>\$ 444,384</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 62,884	\$ 56,436
Interest-bearing	323,869	317,394
<b>Total deposits</b>	<b>386,753</b>	<b>373,830</b>
Retail repurchase agreements	10,617	9,310
Advances from Federal Home Loan Bank	5,000	5,500
Accrued interest payable	155	192
Accrued expenses and other liabilities	1,765	2,213
<b>Total liabilities</b>	<b>404,290</b>	<b>391,045</b>

<b>EQUITY</b>		
Preferred stock of \$.01 par value per share Authorized 1,000,000 shares; none issued	0	0
Common stock of \$.01 par value per share Authorized 5,000,000 shares; issued 3,164,416 shares; outstanding 2,743,502 shares (2,784,088 in 2013)	32	32
Additional paid-in capital	24,313	24,313
Retained earnings-substantially restricted	38,602	36,947
Accumulated other comprehensive income (loss)	384	(720)
Less treasury stock, at cost - 420,914 shares (380,328 shares in 2013)	(8,189)	(7,345)
Total First Capital, Inc. stockholders equity	55,142	53,227
Noncontrolling interest in subsidiary	105	112
Total equity	55,247	53,339
<b>Total Liabilities and Equity</b>	<b>\$ 459,537</b>	<b>\$ 444,384</b>

See accompanying notes to consolidated financial statements.

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>(In thousands, except per share data)</i>			
<b>INTEREST INCOME</b>				
Loans, including fees	\$ 4,036	\$ 3,925	\$ 7,874	\$ 7,849
Securities:				
Taxable	303	315	620	663
Tax-exempt	274	267	564	534
Federal Home Loan Bank dividends	26	24	65	49
Federal funds sold and interest bearing deposits with banks	24	23	42	35
Total interest income	4,663	4,554	9,165	9,130
<b>INTEREST EXPENSE</b>				
Deposits	291	386	580	790
Retail repurchase agreements	6	7	12	15
Advances from Federal Home Loan Bank	0	47	3	93
Total interest expense	297	440	595	898
Net interest income	4,366	4,114	8,570	8,232
Provision for loan losses	90	225	115	475
Net interest income after provision for loan losses	4,276	3,889	8,455	7,757
<b>NONINTEREST INCOME</b>				
Service charges on deposit accounts	822	783	1,545	1,504
Commission income	120	76	198	195
Gain on sale of securities	54	0	54	21
Gain on sale of mortgage loans	212	258	319	481
Mortgage brokerage fees	9	6	14	17
Increase in cash surrender value of life insurance	40	42	77	84
Other income	30	23	59	48
Total noninterest income	1,287	1,188	2,266	2,350
<b>NONINTEREST EXPENSE</b>				
Compensation and benefits	1,836	1,724	3,671	3,475
Occupancy and equipment	293	278	612	599
Data processing	397	365	764	711

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Professional fees	153	202	298	370
Advertising	69	71	133	109
Other operating expenses	601	666	1,170	1,364
<b>Total noninterest expense</b>	<b>3,349</b>	<b>3,306</b>	<b>6,648</b>	<b>6,628</b>
Income before income taxes	2,214	1,771	4,073	3,479
Income tax expense	692	557	1,251	1,068
<b>Net Income</b>	<b>1,522</b>	<b>1,214</b>	<b>2,822</b>	<b>2,411</b>
Less: net income attributable to noncontrolling interest in subsidiary	4	4	7	7
<b>Net Income Attributable to First Capital, Inc.</b>	<b>\$ 1,518</b>	<b>\$ 1,210</b>	<b>\$ 2,815</b>	<b>\$ 2,404</b>
<b>Earnings per common share attributable to First Capital, Inc.</b>				
Basic	\$ 0.55	\$ 0.43	\$ 1.02	\$ 0.86
Diluted	\$ 0.55	\$ 0.43	\$ 1.02	\$ 0.86
Dividends per share	\$ 0.21	\$ 0.20	\$ 0.42	\$ 0.40

See accompanying notes to consolidated financial statements.



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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>(In thousands)</i>			
<b>Net Income</b>	\$ 1,522	\$ 1,214	\$ 2,822	\$ 2,411
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized gains (losses) on securities available for sale:				
Unrealized holding gains (losses) arising during the period	902	(2,337)	1,873	(2,825)
Income tax (expense) benefit	(354)	926	(736)	1,119
Net of tax amount	548	(1,411)	1,137	(1,706)
Less: reclassification adjustment for realized gains included in net income	(54)	0	(54)	(21)
Income tax expense	21	0	21	8
Net of tax amount	(33)	0	(33)	(13)
<b>Other Comprehensive Income (Loss), net of tax</b>	515	(1,411)	1,104	(1,719)
<b>Comprehensive Income (Loss)</b>	2,037	(197)	3,926	692
Less: comprehensive income attributable to the noncontrolling interest in subsidiary	4	4	7	7