

1ST CONSTITUTION BANCORP
Form 10-Q
August 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 2012
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 Number: 000-32891

1ST CONSTITUTION BANCORP
(Exact Name of Registrant as Specified in Its Charter)

New Jersey
(State of Other Jurisdiction
of Incorporation or Organization)

22-3665653
(I.R.S. Employer Identification
No.)

2650 Route 130, P.O. Box 634, Cranbury, NJ
(Address of Principal Executive Offices)

08512
(Zip Code)

(609) 655-4500
(Issuer's Telephone Number, Including Area Code)

(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

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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 smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a 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 ☒

As of August 12, 2012, there were 5,093,725 shares of the registrant’s common stock, no par value, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

1st Constitution Bancorp and Subsidiaries
Consolidated Balance Sheets
(unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
CASH AND DUE FROM BANKS	\$ 16,567,985	\$ 15,183,853
FEDERAL FUNDS SOLD / SHORT-TERM INVESTMENTS	11,413	11,406
Total cash and cash equivalents	16,579,398	15,195,259
INVESTMENT SECURITIES:		
Available for sale, at fair value	97,537,598	93,683,774
Held to maturity (fair value of \$128,856,455 and \$147,621,280 at June 30, 2012, and December 31, 2011, respectively)	122,992,218	142,474,423
Total securities	220,529,816	236,158,197
LOANS HELD FOR SALE	16,595,846	19,234,111
LOANS	479,795,092	475,431,771
Less- Allowance for loan losses	(6,257,420)	(5,534,450)
Net loans	473,537,672	469,897,321
PREMISES AND EQUIPMENT, net	10,629,160	10,439,304
ACCRUED INTEREST RECEIVABLE	2,767,959	2,996,848
BANK-OWNED LIFE INSURANCE	13,804,079	13,578,981
OTHER REAL ESTATE OWNED	11,604,744	12,409,201
OTHER ASSETS	11,449,899	11,817,693
Total assets	\$ 777,498,573	\$ 791,726,915
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits		
Non-interest bearing	\$ 129,822,625	\$ 105,470,543
Interest bearing	539,248,825	518,391,942
Total deposits	669,071,450	623,862,485

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BORROWINGS	25,300,000	88,300,000
REDEEMABLE SUBORDINATED DEBENTURES	18,557,000	18,557,000
ACCRUED INTEREST PAYABLE	1,010,905	1,186,511
ACCRUED EXPENSES AND OTHER LIABILITIES	5,885,943	4,821,144
Total liabilities	719,825,298	736,727,140

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Preferred stock, no par value; 5,000,000 shares authorized; none issued		
Common stock, no par value, 30,000,000 shares authorized; 5,101,907 and 5,096,054 shares issued and 5,093,725 and 5,094,503 shares outstanding as of June 30, 2012 and December 31, 2011 respectively	41,073,077	40,847,929
Retained earnings	15,535,446	13,070,606
Treasury Stock, at cost, 8,182 and 1,551 shares at June 30, 2012 and December 31, 2011, respectively	(68,492)	(10,222)
Accumulated other comprehensive income	1,133,244	1,091,462
Total shareholders' equity	57,673,275	54,999,775
Total liabilities and shareholders' equity	\$ 777,498,573	\$ 791,726,915

See accompanying notes to consolidated financial statements.

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1st Constitution Bancorp and Subsidiaries
Consolidated Statements of Income
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
INTEREST INCOME				
Loans, including fees	\$ 6,319,104	\$ 5,167,439	\$ 12,733,563	\$ 10,521,646
Securities				
Taxable	1,143,554	1,503,134	2,327,759	2,788,078
Tax-exempt	411,225	351,728	831,794	636,800
Federal funds sold and short-term investments	33,306	63,004	48,340	72,110
Total interest income	7,907,189	7,085,305	15,941,456	14,018,634
INTEREST EXPENSE				
Deposits	1,079,048	1,530,274	2,265,522	2,928,404
Borrowings	103,639	103,712	221,561	210,632
Redeemable subordinated debentures	96,580	237,280	195,892	501,434
Total interest expense	1,279,267	1,871,266	2,682,975	3,640,470
Net interest income	6,627,922	5,214,039	13,258,481	10,378,164
PROVISION FOR LOAN LOSSES	549,998	275,000	1,149,996	674,998
Net interest income after provision for loan losses	6,077,924	4,939,039	12,108,485	9,703,166
NON-INTEREST INCOME				
Service charges on deposit accounts	231,256	234,898	459,228	410,740
Gain on sales of loans	495,147	411,643	963,364	848,382
Income on bank-owned life insurance	113,176	103,522	225,098	198,659
Other income	348,387	390,249	705,441	707,281
Total non-interest income	1,187,966	1,140,312	2,353,131	2,165,062
NON-INTEREST EXPENSE				
Salaries and employee benefits	3,154,903	2,843,948	6,095,253	5,420,612
Occupancy expense	613,534	580,969	1,337,320	1,147,707
Data processing expenses	252,545	313,776	516,120	617,249
FDIC insurance expenses	139,873	246,458	287,266	474,005
Other operating expenses	1,213,119	1,170,634	2,750,532	2,159,044
Total non-interest expenses	5,373,974	5,155,785	10,986,491	9,818,617
Income before income taxes	1,891,916	923,566	3,475,125	2,049,611
INCOME TAXES	593,808	94,650	1,010,285	430,827
Net income	\$ 1,298,108	\$ 828,916	\$ 2,464,840	\$ 1,618,784
NET INCOME PER SHARE				
Basic	\$ 0.25	\$ 0.16	\$ 0.48	\$ 0.32
Diluted	\$ 0.25	\$ 0.16	\$ 0.48	\$ 0.32

See accompanying notes to consolidated financial statements.

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1st Constitution Bancorp and Subsidiaries
Consolidated Statements of Comprehensive Income
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
NET INCOME	\$ 1,298,108	\$ 828,916	\$ 2,464,840	\$ 1,618,784
Other comprehensive income, net of tax				
Unrealized gains on securities available for sale	28,135	936,493	37,930	819,296
Pension liability	1,926	1,926	3,852	3,853
Unrealized gain on interest rate swap contract	-	107,191	-	211,562
Other comprehensive income	30,061	1,045,610	41,782	1,034,711
Comprehensive income	\$ 1,328,169	\$ 1,874,526	\$ 2,506,622	\$ 2,653,495

The accompanying notes are an integral part of these financial statements.

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1st Constitution Bancorp and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended June 30, 2012 and 2011
(unaudited)

	Common Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
BALANCE, January 1, 2011	\$38,899,855	\$10,741,779	\$(58,652)	\$ 98,174	\$49,681,156
Exercise of stock options and issuance of vested shares					
under employee benefit programs	75,058		11,597		86,655
Share-based compensation	27,200				27,200
Treasury stock purchased			(15,354)		(15,354)
Net income for the six months ended June 30, 2011		1,618,784			1,618,784
Other comprehensive income				1,034,711	1,034,711
Balance, June 30, 2011	\$39,002,113	\$12,360,563	\$(62,409)	\$ 1,132,885	\$52,433,152
Balance, January 1, 2012	\$40,847,929	\$13,070,606	\$(10,222)	\$ 1,091,462	\$54,999,775
Exercise of stock options, net, and issuance of vested shares under employee benefit programs	176,371				176,371
Share-based compensation	48,777				48,777
Treasury stock purchased			(58,270)		(58,270)
Net Income for the six months ended June 30, 2012		2,464,840			2,464,840
Other comprehensive income				41,782	41,782
Balance, June 30, 2012	\$41,073,077	\$15,535,446	\$(68,492)	\$ 1,133,244	\$57,673,275

See accompanying notes to consolidated financial statements.

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1st Constitution Bancorp and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended June 30,	
	2012	2011
OPERATING ACTIVITIES:		
Net income	\$ 2,464,840	\$ 1,618,784
Adjustments to reconcile net income to net cash provided by operating activities-		
Provision for loan losses	1,149,996	674,998
Provision for loss on other real estate owned	501,644	147,178
Depreciation and amortization	579,455	510,473
Net amortization of premiums and discounts on securities	750,689	815,173
Gains on sales of loans held for sale	(963,364)	(848,382)
Originations of loans held for sale	(79,079,430)	(47,402,373)
Proceeds from sales of loans held for sale	82,681,059	62,498,228
Income on Bank – owned life insurance	(225,098)	(198,659)
Share-based compensation expense	224,221	187,921
Decrease (increase) in accrued interest receivable	228,889	(276,159)
Decrease (increase) in other assets	211,685	(1,574,006)
Decrease in accrued interest payable	(175,606)	(240,064)
Increase (decrease) in accrued expenses and other liabilities	895,796	(914,212)
Net cash provided by operating activities	9,244,776	