

1ST CONSTITUTION BANCORP
Form 10-Q
August 07, 2006

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

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

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 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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of August 2, 2006, there were 3,453,674 shares of the registrant's common stock, no par value, outstanding.

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	June 30, 2006 (unaudited)	December 31, 2005
ASSETS		
CASH AND DUE FROM BANKS	\$7,997,038	\$9,394,929
FEDERAL FUNDS SOLD / SHORT-TERM INVESTMENTS	1,020,804	2,742,821
Total cash and cash equivalents	9,017,842	12,137,750
INVESTMENT SECURITIES:		
Available for sale, at fair value	64,660,336	69,236,658
Held to maturity (fair value of \$16,892,486 and \$21,521,026 in 2006 and 2005, respectively)	17,436,619	21,758,370
Total investment securities	82,096,955	90,995,028
LOANS HELD FOR SALE	12,950,636	16,757,734
LOANS	264,520,397	240,014,349
Less- Allowance for loan losses	(2,692,737)	(2,361,375)
Net loans	261,827,660	237,652,974
PREMISES AND EQUIPMENT, net	2,687,439	2,596,852
ACCRUED INTEREST RECEIVABLE	1,992,167	1,234,523
BANK OWNED LIFE INSURANCE	8,992,466	8,828,932
OTHER ASSETS	2,060,566	2,291,673
Total assets	\$381,625,731	\$372,495,466
LIABILITIES AND SHAREHOLDERS EQUITY		
LIABILITIES:		
Deposits		
Non-interest bearing	\$64,384,645	\$62,686,802
Interest bearing	229,540,724	243,122,665
Total deposits	293,925,369	305,809,467
OTHER BORROWINGS	28,400,000	28,500,000
REDEEMABLE SUBORDINATED DEBENTURES	23,712,000	5,155,000
ACCRUED INTEREST PAYABLE	1,628,711	1,288,040
ACCRUED EXPENSES AND OTHER LIABILITIES	2,251,791	1,946,092
Total liabilities	349,917,871	342,698,599
SHAREHOLDERS EQUITY:		
Common stock, no par value; 30,000,000 shares authorized; 3,490,535 shares issued and 3,443,240 and 3,436,995 outstanding as of June 30, 2006 and December 31, 2005, respectively	25,526,412	25,589,320
Retained earnings	8,593,824	5,981,803
Treasury Stock, shares at cost 47,295 shares and 53,540 at June 30, 2006 and December 31, 2005, respectively	(890,522)	(1,008,998)
Accumulated other comprehensive loss	(1,521,854)	(765,258)
Total shareholders equity	31,707,860	29,796,867
Total liabilities and shareholders equity	381,625,731	\$372,495,466

See accompanying notes to consolidated financial statements

Table of Contents**1st Constitution Bancorp and Subsidiaries
Consolidated Statements of Income**

	(Unaudited)			
	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2006	2005	2006	2005
INTEREST INCOME				
Interest and fees on loans	\$5,822,356	\$4,126,583	\$10,999,172	\$8,038,521
Interest on securities				
Taxable	795,540	734,494	1,601,906	1,482,753
Tax-exempt	147,052	168,304	307,843	323,675
Interest on Federal funds sold and short-term investments	24,674	6,926	33,338	12,140
Total interest income	6,789,622	5,036,307	12,942,259	9,857,089
INTEREST EXPENSE				
Interest on deposits	1,524,009	968,462	2,874,339	1,921,652
Interest on securities sold under agreement to repurchase and other borrowed funds	490,796	351,863	957,133	603,789
Interest on redeemable subordinated debentures	165,708	85,269	267,552	160,269
Total interest expense	2,180,513	1,405,594	4,099,024	2,685,710
Net interest income	4,609,109	3,630,713	8,843,235	7,171,379
Provision for loan losses	170,000	135,000	340,000	195,000
Net interest income after provision for loan losses	4,439,109	3,495,713	8,503,235	6,976,379
NON-INTEREST INCOME				
Service charges on deposit accounts	167,042	170,385	353,601	329,245
Gain on sale of loans held for sale	174,930	460,303	493,619	750,266
Loss on sale of securities available for sale	(99,714)	-	(99,714)	-
Income on bank-owned life insurance	82,934	55,496	163,534	121,610
Other income	149,517	123,430	293,255	230,295
Total other income	474,709	809,614	1,204,295	1,431,416
NON-INTEREST EXPENSE				
Salaries and employee benefits	1,712,959	1,412,547	3,397,981	2,766,543
Occupancy expense	378,143	221,681	697,127	690,101
Other operating expenses	1,017,201	987,301	2,103,223	1,735,094
Total other expense	3,108,303	2,621,529	6,198,331	5,191,738
Income before income taxes	1,805,515	1,683,798	3,509,199	3,216,057
Income taxes	448,251	552,424	897,177	1,039,152
Net income	\$1,357,264	\$1,131,374	\$2,612,022	\$2,176,905
NET INCOME PER SHARE				
Basic	\$0.39	\$0.32		