

1ST CONSTITUTION BANCORP  
Form 10QSB  
November 03, 2003

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-QSB**

(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, 2003

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

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**1ST CONSTITUTION BANCORP**

(Name of Small business Issuer in Its Charter)

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New Jersey  
(State of Other Jurisdiction

22-3665653  
(I.R.S. Employer

of Incorporation or Organization)

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)

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As of October 30, 2003, there were 1,487,967 shares of common stock, no par value, outstanding.

Transitional Small Business Disclosures Format (check one): Yes  No

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1ST CONSTITUTION BANCORP

FORM 10-QSB

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## 1st Constitution Bancorp and Subsidiaries

## Consolidated Statements of Condition

(unaudited)

	September 30, 2003	December 31, 2002
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
CASH AND DUE FROM BANKS	\$ 10,506,071	\$ 9,542,010
FEDERAL FUNDS SOLD / SHORT-TERM INVESTMENTS	15,406,908	52,364
	<u>                    </u>	<u>                    </u>
Total cash and cash equivalents	25,912,979	9,594,374
	<u>                    </u>	<u>                    </u>
SECURITIES:		
Available for sale, at market value	75,137,161	82,028,866
Held to maturity (market value of \$6,759,267 and \$7,434,716 in 2003 and 2002, respectively)	6,456,818	7,171,913
	<u>                    </u>	<u>                    </u>
Total securities	81,593,979	89,200,779
	<u>                    </u>	<u>                    </u>
LOANS HELD FOR SALE	5,066,550	11,145,006
	<u>                    </u>	<u>                    </u>
LOANS	155,913,532	151,049,736
Less- Allowance for loan losses	(1,751,242)	(1,669,882)
	<u>                    </u>	<u>                    </u>
Net loans	154,162,290	149,379,854
	<u>                    </u>	<u>                    </u>
PREMISES AND EQUIPMENT, net	1,291,136	1,276,942
ACCRUED INTEREST RECEIVABLE	1,150,005	1,263,003
BANK OWNED LIFE INSURANCE	6,271,756	6,069,705
OTHER ASSETS	991,202	778,214
	<u>                    </u>	<u>                    </u>
Total assets	\$ 276,439,897	\$ 268,707,877
	<u>                    </u>	<u>                    </u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
LIABILITIES:		
Deposits		
Non-interest bearing	\$ 41,894,104	\$ 39,809,751
Interest bearing	180,808,758	179,185,247
	<u>                    </u>	<u>                    </u>
Total deposits	222,702,862	218,994,998
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	2,016,470	2,554,815
OTHER BORROWINGS	21,500,000	18,000,000
REDEEMABLE TRUST PREFERRED SECURITIES	5,000,000	5,000,000
ACCRUED INTEREST PAYABLE	882,873	1,211,902
ACCRUED EXPENSES AND OTHER LIABILITIES	1,735,823	1,951,320

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Total liabilities	253,838,028	247,713,035
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS EQUITY:</b>		
Common stock, no par value; 15,000,000 shares authorized; 1,490,826 and 1,481,059 shares issued and 1,488,067 and 1,472,389 outstanding as of September 30, 2003 and December 31, 2002, respectively	17,666,623	17,320,091
Retained earnings	5,058,915	2,978,873
Treasury Stock, shares at cost (1,300 shares at September 30, 2003 and 8,670 shares at December 31, 2002, respectively)	(36,656)	(119,844)
Accumulated other comprehensive income / (loss)	(87,013)	815,722
Total shareholders equity	22,601,869	20,994,842
Total liabilities and shareholders equity	\$ 276,439,897	\$ 268,707,877

See accompanying notes to consolidated financial statements.

## 1st Constitution Bancorp and Subsidiaries

## Consolidated Statements of Income

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
<b>INTEREST INCOME</b>				
Interest on loans	\$ 2,897,516	\$ 2,611,140	\$ 8,499,453	\$ 7,547,100
Interest on securities				
Taxable	622,215	974,799	1,933,340	2,761,187
Tax-exempt	85,114	37,952	227,323	113,114
Interest on Federal funds sold and short-term investments	1,396	53,720	6,969	171,361
Total interest income	3,606,241	3,677,611	10,667,085	10,592,762
<b>INTEREST EXPENSE</b>				
Interest on deposits	757,576	1,005,670	2,417,925	3,009,556
Interest on Federal funds purchased securities sold under agreement to repurchase and other borrowed funds	261,413	238,397	725,548	694,898
Interest on redeemable trust preferred securities	63,761	76,864	194,684	145,120
Total interest expense	1,082,750	1,320,931	3,338,157	3,849,574
Net interest income	2,523,491	2,356,680	7,328,928	6,743,188
Provision for loan losses	60,000	60,000	180,000	180,000
Net interest income after provision for loan losses	2,463,491	2,296,680	7,148,928	6,563,188
<b>NON-INTEREST INCOME</b>				
Service charges on deposit accounts	124,799	119,632	428,774	363,113
Gain on sale of loans held for sale	399,612	132,265	1,016,764	460,867
Income on Bank owned life insurance	62,688		202,051	
Other income	94,383	65,934	227,434	185,328
Total other income	681,482	317,831	1,875,023	1,009,308
<b>NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	1,022,114	783,736	2,966,496	2,246,824
Occupancy expense	199,198	183,815	603,827	552,840
Other operating expenses	601,106	536,391	1,809,044	1,742,668
Total other expense	1,822,418	1,503,942	5,379,367	4,542,332
Income before income taxes	1,322,555	1,110,569	3,644,584	3,030,164
Income taxes	469,722	420,745	1,288,867	1,118,058
Net income	\$ 852,833	\$ 689,824	\$ 2,355,717	\$ 1,912,106

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<b>NET INCOME PER SHARE</b>				
Basic	\$ 0.57	\$ 0.47	\$ 1.59	\$ 1.30
Diluted	\$ 0.55	\$ 0.45	\$ 1.51	\$ 1.25
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>				
Basic	1,489,074	1,472,636	1,485,153	1,470,941
Diluted	1,557,691	1,533,963	1,558,990	1,532,268

See accompanying notes to consolidated financial statements

## 1st Constitution Bancorp and Subsidiaries

## Consolidated Statements Of Cash Flows

(Unaudited)

	Nine months ended September 30,	
	2003	2002
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 2,355,717	\$ 1,912,106
Adjustments to reconcile net income to net cash provided by operating activities-		
Provision for loan losses	180,000	180,000
Depreciation and amortization	249,803	239,915
Net amortization on securities	1,006,940	219,638
Gain on sale of loans held for sale	(1,485,762)	(758,964)
Originations of loans held for sale	(65,616,944)	(41,813,269)
Proceeds from sales of loans held for sale	73,181,162	44,883,966
(Decrease) increase in accrued interest receivable	(112,998)	117,860
Income on Bank-owned life insurance	202,051	
Increase in other assets	232,115	1,703,750
Decrease in accrued interest payable	(329,029)	(286,025)
(Decrease) increase in accrued expenses and other liabilities	(215,497)	1,757,940
Net cash provided by operating activities	9,647,558	8,156,