# FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-06-30**
**SEC Accession No.** 0000909654-04-002106

(HTML Version on secdatabase.com)

## FILER

**CKF BANCORP INC**

CIK:**930203**| IRS No.: **611267810** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-25180** | Film No.: **04970594**
SIC: **6035** Savings institution, federally chartered

Mailing Address
*PO BOX 400*
*DANVILLE KY 40423*

Business Address
*340 WEST MAIN ST*
*DANVILLE KY 40422*
*6062364181*

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB
(Mark One)

 X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
---
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
---
SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-25180

CKF Bancorp, Inc.
(Exact name of small business issuer as specified in its charter)

| | |
|---|---|
| Delaware | 61-1267810 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 340 West Main Street, Danville, Kentucky | 40422 |
| (Address of principal executive offices) | (Zip Code) |

Issuer's telephone number, including area code: (859) 236-4181

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes X No ---

As of August 7, 2004, 1,465,528 shares of the registrant's common stock were issued and outstanding.

Transitional Small Business Disclosure Format: Yes ------- No X

CONTENTS

PART I. FINANCIAL INFORMATION
<TABLE>
<CAPTION>

</TABLE>

CKF BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

| <S> | As of June 30, 2004 (Unaudited) <C> | As of December 31, 2003 <C> |
|---|---|---|
| ASSETS | | |
| Cash and due from banks | $ 967,924 | $ 1,121,357 |
| Interest bearing deposits | 1,848,649 | 2,671,433 |
| Cash and cash equivalents | 2,816,573 | 3,792,790 |
| Investment securities: | | |
| Securities available-for-sale | 2,093,128 | 1,930,421 |
| Securities held-to-maturity (market values of $8,133,062 at June 30, 2004 and of $8,330,782 at December 31, 2003) | 8,249,513 | 8,333,409 |
| Federal Home Loan Bank stock, at cost | 1,767,500 | 1,732,900 |
| Loans receivable | 133,544,560 | 125,774,932 |
| Allowance for loan losses | (629,573) | (615,089) |
| Accrued interest receivable | 764,591 | 731,281 |
| Real estate owned | 52,053 | 131,390 |
| Office property and equipment, net | 1,878,501 | 1,925,300 |
| Goodwill | 1,099,588 | 1,099,588 |
| Other assets | 225,189 | 147,046 |
| Total assets | $ 151,861,623 | $ 144,983,968 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits | $ 120,943,583 | $ 121,689,009 |
| Advances from Federal Home Loan Bank | 13,701,046 | 6,899,835 |
| Accrued interest payable | 48,995 | 23,672 |
| Advance payment by borrowers for taxes and insurance | 126,265 | 44,839 |
| Accrued federal income tax | 65,898 | 75,931 |
| Deferred federal income tax | 783,668 | 750,904 |
| Other liabilities | 414,592 | 431,999 |
| Total liabilities | 136,084,047 | 129,916,189 |
| Commitments and contingencies | -- | -- |

| | | |
|---|---|---|
| Preferred stock, 100,000 shares, authorized and unissued Common stock, $.01 par value, 4,000,000 shares authorized; 1,470,374 and 1,471,686 issued and outstanding, respectively | 10,000 | 10,000 |
| Additional paid-in capital | 9,590,498 | 9,533,759 |
| Retained earnings, substantially restricted | 10,993,940 | 10,453,207 |
| Accumulated other comprehensive income | 281,834 | 174,447 |
| Treasury stock, 529,626 and 528,314 shares, respectively, at cost | (4,375,315) | (4,354,309) |
| Incentive Plan Trust, 44,900 shares, at cost | (437,999) | (437,999) |
| Unearned Employee Stock Ownership Plan (ESOP) stock | (285,382) | (311,326) |
| Total stockholders' equity | 15,777,576 | 15,067,779 |
| Total liabilities and stockholders' equity | $ 151,861,623 | $ 144,983,968 |

</TABLE>

See accompanying notes to condensed consolidated financial statements.



CKF BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>
<CAPTION>

| | For the Six-Month Periods Ended June 30 | | For the Three-Month Periods Ended June 30 | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| <S> | <C> | <C> | <C> | <C> |
| Interest and dividend income: | | | | |
| Interest on loans | $ 3,994,989 | $ 3,916,271 | $ 2,022,317 | $ 1,890,456 |
| Interest and dividends on investments | 182,748 | 115,037 | 88,670 | 69,028 |
| Other interest income | 9,247 | 70,358 | 4,008 | 36,091 |
| Total interest and dividend income | 4,186,984 | 4,101,666 | 2,114,995 | 1,995,575 |
| Interest expense: | | | | |
| Interest on deposits | 1,541,823 | 1,928,081 | 756,274 | 921,220 |
| Interest on advances from the FHLB | 118,524 | 128,108 | 65,366 | 57,515 |
| Total interest expense | 1,660,347 | 2,056,189 | 821,640 | 978,735 |
| Net interest income | 2,526,637 | 2,045,477 | 1,293,355 | 1,016,840 |
| Provision for loan losses | 30,000 | 60,000 | 15,000 | 30,000 |
| Net interest income after provision for loan losses | 2,496,637 | 1,985,477 | 1,278,355 | 986,840 |
| Non-interest income: | | | | |
| Loan and other service fees | 89,696 | 96,730 | 45,594 | 49,999 |
| Gain, net on foreclosed real estate | 2,843 | 1,668 | 400 | 851 |
| Other non-interest income, net | 7,822 | 1,757 | 3,197 | 1,489 |
| Total non-interest income | 100,361 | 100,155 | 49,191 | 52,339 |
| Non-interest expense: | | | | |
| Compensation and employee benefits | 714,026 | 586,965 | 348,914 | 292,204 |
| Occupancy and equipment expense, net | 115,196 | 108,297 | 57,873 | 53,241 |
| Data processing | 130,192 | 121,139 | 60,015 | 60,170 |
| Legal and other professional fees | 65,194 | 41,872 | 39,824 | 29,924 |
| State franchise tax | 69,055 | 74,990 | 36,166 | 39,382 |
| Other non-interest expense | 191,903 | 162,767 | 101,471 | 79,647 |
| Total non-interest expense | 1,285,566 | 1,096,030 | 644,263 | 554,568 |

| | | | | |
|---|---|---|---|---|
| Income before income tax expense | 1,311,432 | 989,602 | 683,283 | 484,611 |
| Provision for income taxes | 443,204 | 315,027 | 230,841 | 144,709 |
| Net income | $ 868,228 | $ 674,575 | $ 452,442 | $ 339,902 |
| Basic earnings per common share | $ .64 | $ .50 | $ .34 | $ .25 |
| Diluted earnings per common share | $ .62 | $ .50 | $ .32 | $ .25 |
| Dividends declared per common share | $ .24 | $ .20 | $ -- | $ -- |
| Weighted average common shares outstanding during the period | 1,365,832 | 1,340,336 | 1,366,668 | 1,344,470 |
| Weighted average common shares outstanding after dilutive effect | 1,399,199 | 1,361,894 | 1,399,728 | 1,369,968 |

</TABLE>

See accompanying notes to condensed consolidated financial statements.



CKF BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Six-Month Periods Ended June 30, 2004 and 2003
(unaudited)

<TABLE>
<CAPTION>

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Treasury Stock |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Balance, December 31, 2002 | $ 10,000 | $ 9,531,454 | $ 9,564,805 | $ 190,189 | $ (4,354,309) |
| Comprehensive income: | | | | | |
| Net income | | | 674,575 | | |
| Other comprehensive loss, net of tax: | | | | | |
| Decrease in unrealized gains on securities | | | | (178,547) | |
| Total comprehensive income | | | | | |
| Dividend declared ($.20 per share) | | | (267,209) | | |
| ESOP shares release accrual | | 31,068 | | | |
| Issued under stock option plan shares | | (60,019) | | | |
| Balance, June 30, 2003 | $ 10,000 | $ 9,502,503 | $ 9,972,171 | $ 11,642 | $ (4,354,309) |
| Balance, December 31, 2003 | $ 10,000 | $ 9,533,759 | $10,453,207 | $ 174,447 | $ (4,354,309) |
| Comprehensive income: | | | | | |
| Net income | | | 868,228 | | |
| Other comprehensive gain, net of tax: | | | | | |
| Increase in unrealized gains on securities | | | | 107,387 | |
| Total comprehensive income | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Dividend declared ($.24 per share) | | | (327,495) | | |
| ESOP shares release accrual | | 56,739 | | | |
| Purchase of common stock | | | | | (21,006) |
| Balance, June 30, 2004 | $ 10,000 | $ 9,590,498 | $ 10,993,940 | $ 281,834 | $ (4,375,315) |

<CAPTION>

| <S> | Incentive Plan Trust <C> | Unearned ESOP Shares <C> | Total Stockholders' Equity <C> |
|---|---|---|---|
| Balance, December 31, 2002 | $ (665,291) | $ (363,214) | $ 13,913,634 |
| Comprehensive income: | | | |
| Net income | | | 674,575 |
| Other comprehensive loss, net of tax: | | | |
| Decrease in unrealized gains on securities | | | (178,547) |
| Total comprehensive income | | | 496,028 |
| Dividend declared ($.20 per share) | | | (267,209) |
| ESOP shares release accrual | | 25,944 | 57,012 |
| Issued under stock option plan shares | 183,394 | | 123,375 |
| Balance, June 30, 2003 | $ (481,897) | $ (337,270) | $ 14,322,840 |
| | | | |
| Balance, December 31, 2003 | $ (437,999) | $ (311,326) | $ 15,067,779 |
| Comprehensive income: | | | |
| Net income | | | 868,228 |
| Other comprehensive gain, net of tax: | | | |
| Increase in unrealized gains on securities | | | 107,387 |
| Total comprehensive income | | | 975,615 |
| Dividend declared ($.24 per share) | | | (327,495) |
| ESOP shares release accrual | | 25,944 | 82,683 |
| Purchase of common stock | | | (21,006) |
| Balance, June 30, 2004 | $ (437,999) | $ (285,382) | $ 15,777,576 |

</TABLE>

See accompanying notes to condensed consolidated financial statements.



CKF BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

| | For the Six-Month Periods Ended June 30 | |
|---|---|---|
| | 2004 | 2003 |
| <S> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| NET INCOME | $ 868,228 | $ 674,575 |
| ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED by operating activities: | | |
| Amortization of premiums, net on securities | 18,294 | 6,394 |
| Federal Home Loan Bank stock dividends | (34,600) | (33,100) |
| Amortization of premiums on loans | 27,737 | 38,796 |
| Accretion of deferred loan origination fees | (14,226) | (12,157) |
| Provision for losses on loans | 30,000 | 60,000 |
| ESOP benefit expense | 82,683 | 57,012 |
| Depreciation expense | 67,998 | 72,246 |
| Amortization of premiums on deposits and FHLB advances | (49,865) | (73,841) |
| Loss (gain), net on sale of real estate owned | 106 | (558) |
| Deferred income tax benefit | (22,556) | (8,419) |
| Increase (decrease) in cash due to changes in: | | |
| Accrued interest receivable | (33,310) | 104,826 |
| Other assets | (78,143) | (85,490) |
| Accrued interest payable | 25,323 | 1,196 |
| Other liabilities | (17,407) | (137,110) |
| Current federal income taxes | (10,033) | (79,639) |
| Net cash provided by operating activities | 860,229 | 584,731 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from maturity of government agency bonds held-to-maturity | 500,000 | -- |
| Purchase of government agency bonds held-to-maturity | (987,500) | (1,000,157) |
| Repayments on mortgage backed securities held-to-maturity | 553,102 | 45,871 |
| Purchase of mortgage backed securities held-to-maturity | -- | (3,964,193) |
| Net (increase) decrease in loans | (7,749,576) | 5,107,480 |
| Purchase of office property and equipment | (21,199) | (11,727) |
| Proceeds from sale of (additions to) real estate owned | 30,152 | (3,256) |
| Net cash provided (used) by investing activities | (7,675,021) | 174,018 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net increase in deposit accounts | 2,043,155 | 1,631,287 |
| Net decrease in certificates of deposit | (2,744,802) | (2,086,265) |
| Proceeds from Federal Home Loan Bank advances | 12,000,000 | 4,000,000 |
| Repayments on Federal Home Loan Bank advances | (5,192,703) | (4,690,804) |
| Net increase in custodial accounts | 81,426 | 93,490 |
| Proceeds from the exercise of stock options | -- | 123,375 |
| Purchase of treasury stock | (21,006) | -- |
| Payment of dividends to stockholders | (327,495) | (267,209) |
| Net cash provided (used) by financing activities | 5,838,575 | (1,196,126) |
| Decrease in cash and cash equivalents | (976,217) | (437,377) |
| Cash and cash equivalents, beginning of period | 3,792,790 | 13,717,142 |
| Cash and cash equivalents, end of period | $ 2,816,573 | $ 13,279,765 |

</TABLE>

(continued)



CKF BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

<TABLE>
<CAPTION>

| | For the Six Month Periods Ended June 30 | |
|---|---|---|
| | 2004 | 2003 |
| <S> | <C> | <C> |

| | | |
|---|---|---|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION: | | |
| Cash paid for federal income taxes | $ 475,793 | $ 403,085 |
| Cash paid for interest on deposits and FHLB advances | $ 1,684,889 | $ 2,128,834 |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES: | | |
| Real estate owned acquired by foreclosure | $ 80,912 | $ 155,078 |
| Loans originated to finance sale of foreclosed real estate | $ 129,991 | $ 92,000 |
| Increase (decrease) in unrealized gains, gross on available-for-sale securities | $ 162,707 | $ (270,525) |

</TABLE>

See accompanying notes to condensed consolidated financial statements



CKF Bancorp, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

CKF Bancorp, Inc. (the "Company") was formed in August 1994 at the direction of Central Kentucky Federal Savings Bank (the "Bank") to become the holding company of the Bank upon the conversion of the Bank from mutual to stock form (the "Conversion"). Since the Conversion, the Company's primary assets have been the outstanding capital stock of the Bank, cash on deposit with the Bank, and a note receivable from the Company's Employee Stock Ownership Plan ("ESOP"), and its sole business is that of the Bank. Accordingly, the condensed consolidated financial statements and discussions herein include both the Company and the Bank. On December 29, 1994, the Bank converted from mutual to stock form as a wholly owned subsidiary of the Company. In conjunction with the Conversion, the Company issued 1,000,000 shares of its common stock to the public.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Certain information and note disclosures normally included in the company's annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed (consolidated) financial statements should be read in conjunction with the (consolidated) financial statements and notes thereto included in the company's Form 10-K (or 10-KSB) annual report for 2003 filed with Securities and Exchange Commission. In the opinion of management, all adjustments (consisting of only normal recurring accruals) necessary for fair presentation have been included. The results of operations and other data for the six month period ended June 30, 2004 are not necessarily indicative of results that may be expected for the fiscal year ending December 31, 2004. The consolidated balance sheet of the Company, as of December 31, 2003, has been derived from the audited consolidated balance sheet of the Company as of that date.

2. REGULATORY CAPITAL

The Bank's actual capital and its statutory required capital levels are as follows (in thousands):
<TABLE>
<CAPTION>

| June 30, 2004 | | |
|---|---|---|
| | For Capital Adequacy Purposes | To be Well Capitalized Under Prompt Corrective Action Provisions |
| Actual | Required | Required |

| | Amount | % | Amount | % | Amount | % |
|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Core capital | $ 13,476 | 8.97% | $ 6,012 | 4.00% | $ 9,018 | 6.00% |
| Tangible capital | 13,476 | 8.97% | 6,012 | 4.00% | n/a | n/a |
| Total Risk based capital | 14,388 | 15.20% | 7,573 | 8.00% | 9,467 | 10.00% |
| Tier 1 Risk based capital | 13,476 | 14.23% | N/a | n/a | 4,733 | 5.00% |

</TABLE>



3. EARNINGS PER SHARE

The following table reflects the calculation of basic and diluted earnings per common share:

<TABLE>
<CAPTION>

| | FOR THE SIX-MONTH PERIODS ENDED JUNE 30 | | FOR THE THREE-MONTH PERIODS JUNE 30 | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| <S> | <C> | <C> | <C> | <C> |
| BASIC EARNINGS PER SHARE | | | | |
| Net income | $ 868,228 | $ 674,575 | $ 452,442 | $ 339,901 |
| Weighted average shares outstanding | 1,365,832 | 1,340,336 | 1,366,668 | 1,344,470 |
| Basic earnings per share | $ .64 | $ .50 | $ .34 | $ .25 |
| DILUTED EARNINGS PER SHARE | | | | |
| Net income | $ 868,228 | $ 674,575 | $ 452,442 | $ 339,901 |
| Weighted average shares outstanding | 1,365,832 | 1,340,336 | 1,366,668 | 1,344,470 |
| Diluted effect of stock option | 33,367 | 21,558 | 33,060 | 25,228 |
| Weighted average shares outstanding after dilutive effect | 1,399,199 | 1,361,894 | 1,399,728 | 1,369,698 |
| Diluted earnings per share | $ .62 | $ .50 | $ .32 | $ .25 |

</TABLE>

4. STOCK OPTIONS

At June 30, 2004, the Company has stock-based compensation plans which are described more fully in the notes to the Company's December 31, 2003 audited financial statements contained in the Company's Annual Report on Form 10-KSB. The Company accounts for the plan under the recognition and measurement principles of Accounting Principals Board Opinion No 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price that was equal to or greater to the market value of the underlying common stock on the grant date. The following table illustrates the effect on net income and earnings per share if the Company had applied fair value provisions of Financial Accounting Standards Board Statement 123, Accounting for Stock -Based Compensation, to stock based employee compensation.

<TABLE>
<CAPTION>

| | FOR THE SIX-MONTH PERIODS ENDED JUNE 30 | | FOR THE THREE-MONTH PERIODS ENDED JUNE 30 | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| <S> | <C> | <C> | <C> | <C> |
| Net income as reported | $ 868,228 | $ 674,575 | $ 452,442 | $ 339,902 |
| Less: Total stock-based compensation determined under the fair value method, net of tax | 2,139 | 1,733 | 1,073 | 868 |

| | | | | |
|---|---|---|---|---|
| Pro forma net income | $ 866,089 | $ 672,842 | $ 451,369 | $ 339,034 |
| | ============ | ============ | ============ | ============ |
| Basic earnings per share - as reported | $ .64 | $ .50 | $ .34 | $ .25 |
| Basic earnings per share - pro forma | $ .63 | $ .50 | $ .33 | $ .25 |
| Diluted earnings per share - as reported | $ .62 | $ .50 | $ .32 | $ .25 |
| Diluted earnings per share - pro forma | $ .62 | $ .49 | $ .32 | $ .24 |

</TABLE>



5. DIVIDENDS

A cash dividend of $.24 per share was paid by the Company on February 10, 2004 to stockholders of record as of January 28, 2004. The total dividends paid by the Company during the six months ended June 30, 2004 amounted to $327,495.

6. COMMON STOCK

The Company purchased 1,312 shares of treasury stock at a total cost of $21,006 during the six months ended June 30, 2004.



ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

When used in this Quarterly Report on Form 10-QSB, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties including changes in economic conditions in the Company's market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Company's market area, and competition that could cause actual results to differ materially from historical earnings and those presently anticipated and projected. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

CHANGES IN FINANCIAL CONDITION FROM DECEMBER 31, 2003 TO JUNE 30, 2004

At June 30, 2004, total assets were $151.9 million, an increase of $6.9 million, or 4.7%, from $145.0 million at December 31, 2003. The increase in assets included a $7.8 million increase in loans receivable, a $79,000 increase in investment securities, and a $976,000 decrease in cash and interest-bearing deposits. The increase in total assets was primarily funded by a $6.8 million increase in advances from the Federal Home Loan Bank and by an increase in stockholders' equity of $710,000. Deposits decreased by $745,000.

Investment securities increased by $79,000, or 0.8%, to $10.3 million, during the six months ended June 30, 2004. Securities classified as available-for-sale and recorded at market value increased $163,000 due solely to the increase in the market value of such securities. Securities classified as held-to-maturity decreased by $84,000 primarily due to principal repayments on mortgage-backed securities of $553,000, which was offset by an increase in government agency bonds related to purchases of $988,000 and maturities of $500,000.

Loans receivable increased by $7.8 million, or 6.2%, to $133.5 million, during the six months ended June 30, 2004. The increase was primarily due to loan originations of $26.4 million and loan purchases of $2.1 million offset by loan principal repayments of $20.4 million and loans sold of $339,000. The allowance for loan losses was $630,000 at June 30, 2004 compared to $615,000 at December 31, 2003. The allowance as a percentage of loans receivable was 0.47% and 0.49% at June 30, 2004 and December 31, 2003, respectively. Loan charge-offs, net of recoveries amounted to $16,000 during the six months ended June 30, 2004. The determination of the allowance for loan losses is based on management's analysis, done no less frequently than on a quarterly basis, of various factors, including market value of the underlying collateral, growth and composition of the loan portfolio, the relationship of the allowance for loan losses to outstanding loans, historical loss experience, delinquency trends and prevailing economic conditions. Although management believes its allowance of loan losses is in accordance with accounting principles generally accepted in the United States of America and reflects current regulatory and economic considerations, there can be no assurance that additional losses will not be incurred, or that the Bank's regulators or changes in the Bank's economic environment will not require further increases in the allowance.

Deposits decreased by $745,000, or 0.6%, to $120.9 million, during the six months ended June 30, 2004. The decrease was due to a decrease in certificates of deposit of $2.7 million, or 2.9%, and by the amortization of $44,000 related to the premium paid on certificates of deposit assumed in the acquisition of First Lancaster, which were offset by an increase in deposit accounts (demand, savings, NOW and money market deposit accounts) of $2.0 million, or 7.8%. The increase in deposit accounts was due to an $866,000 increase in money market deposit accounts, a $629,000 increase in NOW accounts, a $302,000 increase in non-interest checking accounts, and a $246,000 increase in savings accounts. Advances from the Federal Home Loan Bank increased by $6.8 million, or 98.6%, to $13.7 million, during the six months ended June 30, 2004 due to $5.2 million in repayments of advances and $12.0 million in proceeds from newly issued advances.



Stockholders' equity increased by $710,000, to $15.8 million, during the six months ended June 30, 2004. The increase during the period was due to net income of $868,000, the release of shares related to the employee stock ownership plan of $83,000, and an increase in the net unrealized gain on available-for-sale securities, net of tax of $107,000, which were offset by payments of dividends to stockholders of $327,000 and by the purchase of treasury shares of $21,000.

## RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

### NET INCOME

Net income for the six months ended June 30, 2004 was $868,000 compared to $675,000 for the same period in 2003, an increase of $193,000, or 28.7%. The increase resulted from an increase in net interest income of $481,000 and a decrease in the provision for loan losses of $30,000, which were offset by a decrease in non-interest income of less than $1,000, an increase in non-interest expense of $190,000, and an increase in the provision for income tax of $128,000.

### INTEREST AND DIVIDEND INCOME

Interest and dividend income increased by $85,000, or 2.1%, to $4.2 million, for the six months ended June 30, 2004 compared to the same period in 2003. The increase in interest and dividend income was due to a $7.1 million, or 5.2%, increase from 2003 to 2004 in the weighted-average balance of interest-earning assets offset by an 18 basis point decrease in the average yield on interest-earning assets, to 5.86% in 2004 from 6.04% in 2003.

### INTEREST EXPENSE

Interest expense decreased by $396,000, or 19.3%, to $1.7 million, for the six months ended June 30, 2004 compared to the same period in 2003. The decrease in interest expense was due to a 75 basis point decrease in the average yield of interest-bearing liabilities, to 2.55% in 2004 from 3.30% in 2003 offset by a $5.6 million, or 4.5%, increase from 2003 to 2004 in the weighted average balance of interest-bearing liabilities.

### NET INTEREST INCOME

Net interest income increased by $481,000, or 23.5%, to $2.5 million, for the six months ended June 30, 2004 compared to same period in 2003. The change in net interest income attributable to volume was favorable by $396,000, attributable to rate was favorable by $86,000, and attributable to rate/volume was unfavorable by $1,000. The interest rate spread amounted to 3.31% and 2.74% during the six months ended June 30, 2004 and 2003, respectively, while the interest margin amounted to 3.54% and 3.01% during the six months ended June 30, 2004 and 2003, respectively. A significant portion of the increase in the interest rate spread in 2004 compared to 2003 is related to the mix of interest-earning assets. Average loans receivable equaled 90.2% of total interest-earning assets for the six months ended June 30, 2004 compared to 84.6% for the six months ended June 30, 2004.

PROVISION FOR LOAN LOSSES

Provision for loan losses decreased by $30,000, or 50.0%, to $30,000 for the six months ended June 30, 2004 compared to the same period in 2003. Management considers many factors in determining the necessary levels of the allowance for loan losses, including an analysis of specific loans in the portfolio, estimated value of the underlying collateral, assessment of general trends in the real estate market, delinquency trends, prospective economic and regulatory conditions, inherent loss in the loan portfolio, and the relationship of the allowance for loan losses to outstanding loans. Loans in the portfolio are categorized according to their perceived inherent level of risk. The categories include 1- to 4- dwelling unit mortgage loans, other mortgage loans, non-mortgage commercial loans, and consumer loans. An estimate of the appropriate level of allowance for loan losses is calculated by applying risk-weighting factors to the aggregate balances of these loan categories. Within a given category, loans classified as non-performing are assigned a higher risk



weighting than performing loans. Management reviews the level of each risk factor periodically and makes appropriate adjustments based on changes in conditions that may impact the portfolio. Provisions for loan losses are booked so as to maintain the allowance within a reasonable range of the estimate.

NON-INTEREST INCOME

Non-interest income increased by less than $1,000, or 0.2%, to $100,000, for the six months ended June 30, 2004 compared to the same period in 2003, and such income amounted to, on an annualized basis, 0.14% of average assets for each of the six month periods ended June 30, 2004 and 2003. The increase in non-interest income was related to an increase of $6,000 in other non-interest income, net and an increase of $1,000 in gain, net on foreclosed real estate, which were offset by a decrease of $7,000 in fees charged in connection with loans and service charges on deposit accounts.

NON-INTEREST EXPENSE

Non-interest expense increased by $190,000, or 17.3%, to $1.3 million, for the six months ended June 30, 2004 compared to the same period in 2003, and such expense amounted to, on an annualized basis, 1.74% and 1.56% of average assets for the six months ended June 30, 2004 and 2003, respectively. The increase was due to increases in compensation and employee benefits of $127,000, in occupancy and equipment expense, net of $7,000, in data processing expense of $9,000, in legal and other professional fees of $24,000, and in other non-interest expense of $29,000, which were offset by a decrease in state franchise tax of $6,000.

INCOME TAXES

The provision for income taxes for the six months ended June 30, 2004 and 2003 was $443,000 and $315,000, respectively, which as a percentage of income before taxes was 33.8% for the six months ended June 30, 2004 and 31.8% for the six months ended June 30, 2003.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003

NET INCOME

Net income for the three months ended June 30, 2004 was $452,000 compared to $340,000 for the same period in 2003, an increase of $112,000, or 33.1%. The increase resulted from an increase in net interest income of $276,000 and a decrease in the provision for loan losses of $15,000, which were offset by a decrease in non-interest income of $3,000, an increase in non-interest expense of $90,000, and an increase in the provision for income tax of $86,000.

INTEREST AND DIVIDEND INCOME

Interest and dividend income increased by $119,000, or 6.0%, to $2.1 million, for the three months ended June 30, 2004 compared to the same period in 2003. The increase in interest and dividend income was due to a $9.4 million, or 7.0%, increase from 2003 to 2004 in the weighted-average balance of interest-earning assets offset by a five basis point decrease in the average yield on interest-earning assets, to 5.85% in 2004 from 5.90% in 2003.

INTEREST EXPENSE

Interest expense decreased by $157,000, or 16.1%, to $822,000, for the three months ended June 30, 2004 compared to the same period in 2003. The decrease in interest expense was due to a 66 basis point decrease in the average yield of interest-bearing liabilities, to 2.49% in 2004 from 3.15% in 2003 offset by a $7.9 million, or 6.3%, increase from 2003 to 2004 in the weighted average balance of interest-bearing liabilities.



NET INTEREST INCOME

Net interest income increased by $276,000, or 27.2%, to $1.3 million, for the three months ended June 30, 2004 compared to same period in 2003. The change in net interest income attributable to volume was favorable by $229,000, attributable to rate was favorable by $36,000, and attributable to rate/volume was favorable by $11,000. The interest rate spread amounted to 3.36% and 2.75% during the three months ended June 30, 2004 and 2003, respectively, while the interest margin amounted to 3.58% and 3.01% during the three months ended June 30, 2004 and 2003, respectively. A significant portion of the increase in the interest rate spread in 2004 compared to 2003 is related to the mix of interest-earning assets. Average loans receivable equaled 90.5% of total interest-earning assets for the three months ended June 30, 2004 compared to 83.2% for the three months ended June 30, 2004.

PROVISION FOR LOAN LOSSES

Provision for loan losses decreased by $15,000, or 50.0%, to $15,000 for the three months ended June 30, 2004 compared to the same period in 2003. Management considers many factors in determining the necessary levels of the allowance for loan losses, including an analysis of specific loans in the portfolio, estimated value of the underlying collateral, assessment of general trends in the real estate market, delinquency trends, prospective economic and regulatory conditions, inherent loss in the loan portfolio, and the relationship of the allowance for loan losses to outstanding loans. Loans in the portfolio are categorized according to their perceived inherent level of risk. The categories include 1- to 4- dwelling unit mortgage loans, other mortgage loans, non-mortgage commercial loans, and consumer loans. An estimate of the appropriate level of allowance for loan losses is calculated by applying risk-weighting factors to the aggregate balances of these loan categories. Within a given category, loans classified as non-performing are assigned a higher risk weighting than performing loans. Management reviews the level of each risk factor periodically and makes appropriate adjustments based on changes in conditions that may impact the portfolio. Provisions for loan losses are booked so as to maintain the allowance within a reasonable range of the estimate.

NON-INTEREST INCOME

Non-interest income decreased by $3,000, or 6.0%, to $49,000, for the three months ended June 30, 2004 compared to the same period in 2003, and such income amounted to, on an annualized basis, 0.13% and 0.15% of average assets for the three months ended June 30, 2004 and 2003, respectively. The decrease in non-interest income was related to a decrease of $4,000 in fees charged in connection with loans and service charges on deposit accounts offset by an increase of $1,000 in other non-interest income, net.

NON-INTEREST EXPENSE

Non-interest expense increased by $90,000, or 16.2%, to $644,000, for the three months ended June 30, 2004 compared to the same period in 2003, and such expense amounted to, on an annualized basis, 1.73% and 1.58% of average assets for the three months ended June 30, 2004 and 2003, respectively. The increase was due to increases in compensation and employee benefits of $57,000, in occupancy and equipment expense, net of $4,000, in legal and other professional fees of $10,000, and in other non-interest expense of $22,000, which were offset by a decrease in state franchise tax of $3,000.

INCOME TAXES

The provision for income taxes for the three months ended June 30, 2004 and 2003 was $231,000 and $145,000, respectively, which as a percentage of income before taxes was 33.8% for the three months ended June 30, 2004 and 29.9% for the three months ended June 30, 2003.

NON-PERFORMING ASSETS

The following table sets forth information with respect to the Bank's non-performing assets at the dates indicated. No loans were recorded as restructured loans within the meaning of SFAS No. 15 at the dates indicated.

<TABLE>
<CAPTION>

| <S> | JUNE 30, 2004 <C> | DECEMBER 31, 2003 <C> |
|---|---|---|
| Loans accounted for on a non-accrual basis(1): | | |
| Real estate mortgage: | | |
| One-to-four family residential | $ 181,552 | $ 391,576 |
| Multi-family residential, non-residential, and land | 122,395 | 121,179 |
| Commercial non-mortgage | -- | -- |
| Consumer | 18,505 | 24,269 |
| Total | $ 322,452 | $ 537,024 |
| Accruing loans which are contractually past due 90 days or more: | | |
| Real estate mortgage: | | |
| One-to-four family residential | $ 1,054,779 | $ 1,094,486 |
| Multi-family residential, non-residential, and land | -- | -- |
| Commercial non-mortgage | 15,000 | -- |
| Consumer | 85,360 | -- |
| Total | $ 1,155,139 | $ 1,094,486 |
| Total of loans accounted for as non-accrual or as accruing past due 90 days or more | $ 1,477,591 | $ 1,631,510 |
| Percentage of loans receivable | 1.11% | 1.30% |
| Other non-performing assets(2) | $ 52,053 | $ 131,390 |

</TABLE>

(1) Non-accrual status denotes any mortgage loan past due 90 days and whose loan balance, plus accrued interest exceeds 90% of the estimated loan collateral value, and any consumer or commercial loan more than 90 days past due. Payments received on a non-accrual loan are either applied to the outstanding principal balance or recorded as interest income, or both, depending on assessment of the collectibility of the loan.

(2) Other non-performing assets represent property acquired by the Bank through foreclosure or repossession. Such property is carried at the lower of its fair market value or the principal balance of the related loan.

During the six months ended June 30, 2004, interest income of $12,871 would have been recorded on loans accounted for on a non-accrual basis if the loans had been current throughout the period. Interest on such loans actually included in interest income during the six months ended June 30, 2004 totaled $5,914.

At June 30, 2004 and December 31, 2003, there were no loans, identified by management, which were not reflected in the preceding table, but as to which known information about possible credit problems of borrowers caused management to have serious doubts as to the ability of the borrowers to comply with present loan repayment terms.

LIQUIDITY AND CAPITAL RESOURCES

The Bank's principal sources of funds for operations are deposits from its primary market area, principal and interest payments on loans, and proceeds from maturing investment securities. The principal uses of funds by the Bank include the origination and purchase of mortgage, commercial and consumer loans and the purchase of investment securities. The Bank must satisfy two capital standards, as set by the OTS. These standards include a ratio of core capital to adjusted total assets of 4.0%, and a combination of core and "supplementary" capital equal to 8.0% of risk-weighted assets. The Bank's capital exceeded these capital standards at June 30, 2004.



At June 30, 2004, the Bank had outstanding commitments to originate loans totaling $1.5 million, excluding $1.2 million in unused home equity lines of credit and $1.3 million in other lines of credit and standby letters of credit. Additionally, the Bank had undisbursed commitments on construction loans closed totaling $4.4 million. Management believes that the Bank's sources of funds are sufficient to fund all of its outstanding commitments. Certificates of deposit, which are scheduled to mature in one year or less from June 30, 2004, totaled $68.1 million. Management believes that a significant percentage of such deposits will remain with the Bank.

ITEM 3: CONTROLS AND PROCEDURES

As of the end of the period covered by this report, management of the Company carried out an evaluation, under the supervision and with the participation of the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. It should be noted that the design of the Company's disclosure controls and procedures is based in part upon certain reasonable assumptions about the likelihood of future events, and there can be no reasonable assurance that any design of disclosure controls and procedures will succeed in achieving its stated goals under all potential future conditions, regardless of how remote, but the Company's principal executive and financial officers have concluded that the Company's disclosure controls and procedures are, in fact, effective at a reasonable assurance level.

In addition, there have been no changes in the Company's internal control over financial reporting (to the extent that elements of internal control over financial reporting are subsumed within disclosure controls and procedures) identified in connection with the evaluation described in the above paragraph that occurred during the Company's last fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS None

Item 2. CHANGES IN SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES None

Item 3. DEFAULTS UPON SENIOR SECURITIES None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Stockholders was held on April 20, 2004. 1,324,262 shares of CKF Bancorp, Inc. common stock were represented at the Annual Meeting in person or by proxy.

Stockholders voted in favor of the election of three nominees for director. The voting results for each nominee were as follows:

<TABLE>
<CAPTION>

| Nominee | Votes In Favor of Election | Votes Withheld |
| --- | --- | --- |

| <S> | <C> | <C> |
| --- | --- | --- |
| W. Irvine Fox, Jr. | 1,323,762 | 500 |
| Warren O. Nash | 1,323,762 | 500 |
| John H. Stigall | 1,323,564 | 698 |

</TABLE>

There were no broker non-votes in the election of directors.

ITEM 5. OTHER INFORMATION None

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

31.1 Rule 13a-14(a) Certification of the Chief Executive Officer

31.2 Rule 13a-14(a) Certification of the Chief Financial Officer

32 Certification pursuant to 18 USC Section 1350

b) Reports on Form 8-K

| Date of Report | Item(s) Reported | Financial Statements Filed |
| --- | --- | --- |
| April 13, 2004 | 7, 12 | N/A |



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CKF Bancorp, Inc.

Date: August 12, 2004 /s/ John H. Stigall

John H. Stigall, President and Chief Executive Officer
(Duly Authorized Officer)

Date: August 12, 2004 /s/ Russell M. Brooks

Russell M. Brooks, Vice President and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 31.1

Certification

I, John H. Stigall, President and Chief Executive Officer of CKF Bancorp, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CKF Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer and I have disclosed,

based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 12, 2004

/s/ John H. Stigall
-----------------------------------------
John H. Stigall
President and Chief Executive Officer

Exhibit 31.2

Certification

I, Russell M. Brooks, Vice President and Chief Financial Officer of CKF Bancorp, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CKF Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer and I have disclosed,

based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 12, 2004

/s/ Russell M. Brooks
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Russell M. Brooks
Vice President and Chief Financial Officer

Exhibit 32

Certification

To my knowledge, this Report on Form 10-Q for the quarter ended June 30, 2004 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of CKF Bancorp, Inc.

By: /s/ John H. Stigall

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John H. Stigall
President and Chief Executive Officer

By: /s/ Russell M. Brooks

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Russell M. Brooks
Vice President and Chief Financial Officer

Date: August 12, 2004