

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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SECURITY CAPITAL BANCORP

CIK: **717217** | IRS No.: **561354694** | State of Incorporation: **NC** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-12359** | Film No.: **94527462**
SIC: **6022** State commercial banks

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended MARCH 31, 1994

OR

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

Commission File Number 000-12359

SECURITY CAPITAL BANCORP
(Exact name of registrant as specified in its charter)

NORTH CAROLINA 56-1354694
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

507 WEST INNES STREET, SALISBURY, NORTH CAROLINA 28144
(Address of principal executive offices) (Zip Code)

(704) 636-3775
(Registrant's telephone number, including area code)

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 X No

As of April 29, 1994, there were issued and outstanding 11,721,025 shares of the
Registrant's common stock, no par value per share.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

The following unaudited consolidated financial statements within
Item 1 include, in the opinion of management of Security Capital
Bancorp ("SCBC"), all adjustments (consisting only of
normal recurring adjustments) necessary for a fair presentation
of such financial statements for the periods indicated.

SECURITY CAPITAL BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

<TABLE>
<CAPTION>

Assets	March 31, 1994	December 31, 1993
	(Dollars in Thousands)	
<S>	<C>	<C>
Cash and due from banks	\$ 25,136	28,102
Interest-bearing balances in other banks	10,853	5,145
Federal funds sold	8,325	3,450
Investment securities held to maturity (market value of \$50,664 at March 31, 1994 and \$375,046 at December 31, 1993) (note 2)	50,741	368,353
Investment securities available for sale (note 2)	311,383	-
Loans, net of unearned income (\$2,463 at March 31, 1994 and \$2,698 at December 31, 1993)	485,217	473,202
Less allowance for loan losses	7,241	7,227
Loans, net	477,976	465,975
Loans held for sale	4,950	18,409
Premises and equipment, net	18,531	18,360
Other assets	20,423	21,141
Total assets	\$928,318	928,935

Liabilities and Stockholders' Equity

Deposit accounts:		
Demand, noninterest-bearing	67,300	67,830
Interest-bearing	675,456	673,854
Time deposits over \$100	41,154	42,772
Total deposit accounts	783,910	784,456
Advances from the Federal Home Loan Bank	7,000	8,000
Other borrowed money	1,981	1,764
Other liabilities	9,615	10,495
Total liabilities	802,506	804,715
Stockholders' equity:		
Preferred stock, no par value, 5,000,000 shares authorized; none issued and outstanding	-	-
Common stock, no par value, 25,000,000 shares authorized; 11,721,025 and 11,682,837 shares issued and outstanding at March 31, 1994 and December 31, 1993, respectively	51,325	51,167
Retained earnings, substantially restricted	75,226	73,053
Unrealized loss on investment securities available for sale (note 2)	(739)	-
Total stockholders' equity	125,812	124,220
Total liabilities and stockholders' equity	\$928,318	928,935

</TABLE>

See accompanying notes to consolidated financial statements.

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SECURITY CAPITAL BANCORP AND SUBSIDIARIES
Consolidated Statements of Income
For the Three Months Ended March 31, 1994 and 1993
(Unaudited)

<TABLE>
<CAPTION>

	1994	1993
	(Dollars in Thousands, Except Share Data)	
<S>	<C>	<C>
Interest income:		
Loans	\$ 9,621	10,692
Investment securities		
Taxable	5,029	5,332
Nontaxable	192	283
Other	226	191
Total interest income	15,068	16,498

Interest expense:		
Deposit accounts	6,262	6,986
Borrowings	181	262
Total interest expense	6,443	7,248
Net interest income	8,625	9,250
Provision for loan losses	87	184
Net interest income after provision for loan losses	8,538	9,066
Other income:		
Loan servicing and other loan fees	409	282
Deposit and other service charge income	1,240	1,355
Gain on sales of loans, net	108	245
Brokerage commissions	508	369
Other	174	360
Total other income	2,439	2,611
Other expense:		
Personnel	3,165	3,510
Net occupancy	893	840
Telephone, postage, and supplies	420	419
Federal and other insurance premiums	512	431
Professional and other services	138	177
Other	625	786
Total other expense	5,753	6,163
Income before income taxes	5,224	5,514
Income taxes (note 3)	1,762	1,545
Net income	\$ 3,462	3,969
Net income per share (note 4)	\$.30	.33
Dividends per share	\$.11	.095
Weighted average shares outstanding	11,705,567	11,840,617

</TABLE>

See accompanying notes to consolidated financial statements.

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SECURITY CAPITAL BANCORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 1994 and 1993
(Unaudited)

<TABLE>

<CAPTION>

	1994	1993
	(Dollars in Thousands)	
	<C>	<C>
<S>		
Cash flows from operating activities:		
Net income	\$ 3,462	3,969
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	87	184
Depreciation	442	353
Amortization of premiums on securities held to maturity	46	435
Amortization of premiums on securities available for sale	695	-
Change in loans held for sale, net	13,459	(3,035)
Decrease in other assets	1,612	445
Increase (decrease) in other liabilities	(880)	1,003
Net cash provided by operating activities	18,923	3,354
Cash flows from investing activities:		
Proceeds from maturities of investment securities held to maturity	1,675	21,488
Proceeds from maturities of investment securities available for sale	27,526	-
Purchases of investment securities held to maturity	(13,908)	(21,259)
Purchases of investment securities available for sale	(10,936)	-
Decrease (increase) in loans, net	(12,590)	9,499
Capital expenditures for premises and equipment	(613)	(477)
Net cash provided by (used in) investing activities	(8,846)	9,251

Cash flows from financing activities:		
Decrease in deposits	(546)	(4,263)
Proceeds from FHLB advances	-	100
Repayment of FHLB advances	(1,000)	(2,600)
Increase in other borrowed money, net	217	231
Dividends paid to stockholders	(1,289)	(1,123)
Proceeds from stock options exercised	158	371
Net cash used in financing activities	(2,460)	(7,284)
Net increase in cash and cash equivalents	7,617	5,321
Cash and cash equivalents at beginning of period	36,697	33,331
Cash and cash equivalents at end of period	\$ 44,314	38,652
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 5,927	6,088
Income taxes	220	795
Supplemental schedule of noncash investing activities:		
Loans receivable transferred to real estate owned	\$ 502	321
Investments transferred to available for sale	329,799	-
Unrealized loss on available for sale securities net of tax benefit of \$392	(739)	-

</TABLE>

See accompanying notes to consolidated financial statements.

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SECURITY CAPITAL BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
March 31, 1994
(Unaudited)

(1) Principles of Consolidation and Reporting

The accompanying unaudited consolidated financial statements include the accounts of Security Capital Bancorp ("SCBC"), a North Carolina corporation organized as a multi-bank holding company, and its wholly-owned subsidiaries, Security Bank and Trust Company ("Security Bank"), OMNIBANK, Inc., A State Savings Bank ("OMNIBANK"), Citizens Savings, Inc., SSB ("Citizens"), Home Savings Bank, Inc., SSB ("Home Savings"), First Cabarrus Corporation ("FCC"), and Estates Development Corporation ("EDC"). All significant intercompany balances have been eliminated.

(2) Investment Securities

The Financial Accounting Standards Board ("FASB") has issued Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities," that requires debt and equity securities held: (i) to maturity to be classified as such and reported at amortized cost; (ii) for current resale to be classified as trading securities and reported at fair value, with unrealized gains and losses included in current earnings; and (iii) for any other purpose to be classified as securities available for sale and reported at fair value, with unrealized gains and losses excluded from current earnings and reported as a separate component of stockholders' equity. SCBC adopted Standard No. 115 as of January 1, 1994. In connection with this adoption, as of March 31, 1994, SCBC classified \$311,383,000 of investment securities as securities available for sale. These securities had net unrealized losses of approximately \$1,131,000, which resulted in an unrealized securities loss, net of income tax effects, of \$739,000 being recorded as a decrease to stockholders' equity as of March 31, 1994. SCBC has no securities classified as trading securities.

(3) Income Taxes

Effective January 1, 1993, SCBC changed its method of accounting for income taxes from the deferred method to the asset and liability method required by FASB Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("Statement 109"). The cumulative effect of adopting Statement 109 as of January 1, 1993, was to increase net income for the first quarter of 1993 by approximately \$388,000. Due to immateriality, the cumulative effect of this accounting change has not been separately disclosed in the consolidated statement of income.

(4) Net Income Per Share

Net income per share has been computed by dividing net income by the weighted average number of shares outstanding.

(5) Pending Acquisitions

On April 6, 1994, SCBC announced that it and Fairfield Communities, Inc. ("FCI") had executed a Stock Purchase Agreement concerning SCBC's acquisition of First Federal Savings and Loan Association of Charlotte, North Carolina, a subsidiary of FCI ("First Federal"). First Federal operates ten banking offices and had total assets of approximately \$319.5 million at March 31, 1994. Under the terms of the Agreement, SCBC will acquire all of the capital stock of First Federal for a cash payment of approximately \$40 million plus an interim earnings adjustment, with an offsetting payment by FCI from the conveyance by First Federal to FCI of certain real estate owned, classified loans and other assets, which, at March 28, 1994, aggregated approximately \$19.8 million, net of certain reserves. FCI will also purchase First Federal's lot and timeshare contract receivables, including the underlying real estate assets (in the case of cancellations or foreclosures under such contracts), which, at December 31, 1993, totalled approximately \$53.5 million. Approximately \$1.4 million of SCBC's cash payment will

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SECURITY CAPITAL BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements

be deferred pending the resolution of certain litigation involving FCI and First Federal. The purchase price will be increased by the adjusted earnings of First Federal from October 1, 1993 through August 1, 1994 or the date of closing, whichever is earlier, subject to a cap of \$1.825 million. Applications for approval of the acquisition have been filed with applicable federal and state regulatory authorities. Assuming all conditions are satisfied, the parties currently expect the acquisition to occur by August 1, 1994. If the acquisition is not closed by August 1, 1994, the purchase price may be further increased for First Federal's adjusted earnings after that date.

On January 25, 1994, SCBC announced that Home Savings and First Citizens Bank and Trust Co. ("First Citizens") had entered into an agreement involving the sale of First Citizens' Bessemer City office to Home Savings and the sale of Home Savings' Gastonia office to First Citizens. With the transaction, Home Savings will assume approximately \$4.6 million in deposits in Bessemer City and First Citizens will assume approximately \$11.4 million in deposits in Gastonia. Subject to regulatory approval, the purchases are expected to be completed in the second quarter of 1994.

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Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Comparison of Financial Condition and Operating Results as of and for the Three Months ended March 31, 1994 and 1993

Net income was \$3,462,000 or \$.30 per share, for the three months ended March 31, 1994, compared with net income of \$3,969,000, or \$.33 per share, for the same period in 1993. This 12.8% decrease is primarily attributable to the required adoption in 1993 of Statement 109 which resulted in a net benefit to SCBC of approximately \$388,000 for the three months ended March 31, 1993. Earnings per share, excluding the effect of Statement 109, would have been \$.30 for the first quarter of 1993.

Net interest income amounted to \$8,625,000 for the three months ended March 31, 1994, compared to \$9,250,000 for the same period in 1993, representing a 6.8%

decrease. This decrease in net interest income was impacted by a decrease in SCBC's most significant interest-earning assets, loans receivable. Total loans decreased \$15,304,000 (3.1%) to \$485,217,000 at March 31, 1994. This decrease was primarily a result of the continuation of the selling of current production of fixed rate mortgage loans through SCBC's secondary marketing program. While total investment securities increased \$24,184,000 (7.2%) to \$362,124,000 at March 31, 1994, the yields on new investments were significantly less than the yields on maturing investments and existing portfolio mortgage loans refinanced at lower fixed rates, thus negatively impacting interest income. The net yield on average interest-earning assets decreased 36 basis points to 3.95%. In future periods, SCBC could experience a reduction in interest income should prepayments continue and mortgage loans continue to price downward.

The provision for loan losses for the three months ended March 31, 1994 was \$87,000, representing a decrease of \$97,000, or 52.7%, from the \$184,000 provision reported in the comparable period in 1993. This decrease is due to the continual decline of non-performing assets, the decline in total loans noted above, and management's assessment of the allowance for loan losses in relation to the overall loan portfolio.

The following table presents information on non-performing assets, including non-accrual loans, accruing loans 90 days or more past due, restructured loans and real estate owned as of each of the dates shown:

	At March 31, 1994	At December 31, 1993
	(Dollars in Thousands)	
Non-accrual loans	\$ 846	1,573
Accruing loans 90 days or more past due	55	420
Restructured loans	487	186
Real estate owned	967	951
	\$2,355	3,130
Non-performing loans and real estate owned as a percentage of total assets	.25%	.34

Loans classified for regulatory purposes as loss, doubtful, substandard, or special mention that have not been included in the table above do not (1) represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity, or capital resources, or (2) represent material credits about which management is aware of any information which causes management to have serious doubts as to the ability of such borrowers to comply with the repayment terms.

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Other income of \$2,439,000 for the three months ended March 31, 1994, represents a decrease of \$172,000, or 6.6%, from other income reported in the comparable period in 1993. This decrease was primarily due to a decrease in net gain on sales of loans of \$137,000, which resulted from the increase in interest rates during the first quarter of 1994. Deposit and other service charge income decreased \$115,000, or 8.5%, to \$1,240,000. Other decreased \$186,000, or 51.7%, due to the decrease of several items included in this total. Brokerage commissions increased \$139,000, or 37.7%, due to an increase in volume, which can be attributed to the expansion of the operation along with depositors seeking higher yields through alternative investments.

Other expense decreased \$410,000, or 6.7%, to \$5,753,000 for the three months ended March 31, 1994. Personnel expense decreased \$345,000, or 9.8%, for the three months ended March 31, 1994, primarily due to increases in efficiencies which have led to a reduction in the number of employees. Other decreased \$161,000, or 20.5%, due to the decrease of several items included in this total.

Income taxes increased \$217,000 to \$1,762,000 for the three months ended March 31, 1994, while income before income taxes decreased \$290,000 to \$5,224,000 in 1994 from \$5,514,000 in the comparable period in 1993. Excluding the impact of adoption of Statement 109, income taxes for the three months ended March 31, 1993 would have been \$1,933,000 or 35.1% of income before income taxes, compared to 33.7% in 1994.

Total assets of SCBC at March 31, 1994 were \$928,318,000, a slight decrease from December 31, 1993 of \$617,000. At March 31, 1994, net loans receivable, including loans held for sale, were \$482,926,000, a decrease of \$1,458,000, or 0.3%, over the December 31, 1993 amount. This decrease was primarily a result of reduced loan demand and SCBC continuing to sell its current production of fixed rate mortgage loans through its ongoing secondary marketing

program. Deposit accounts decreased slightly to \$783,910,000 at March 31, 1994. This decrease was primarily attributable to depositors seeking higher yields through alternative investments. Stockholders' equity was \$125,812,000, or 13.6% of assets, at March 31, 1994.

The following table sets forth the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities of SCBC as of and for the periods indicated.

<TABLE>
<CAPTION>

	Three months Ended		At	At
	1994	March 31, 1993	March 31, 1994 (annualized)	December 31, 1993
<S>	<C>	<C>	<C>	<C>
Average yield on loans	7.95%	8.50%	7.72%	7.78%
Average yield on interest-earning assets	6.89	7.68	6.74	6.93
Average rate on deposits	3.51	3.97	3.53	3.63
Average rate on interest-bearing liabilities	3.56	4.05	3.58	3.69
Loans/deposits spread	4.44	4.53	4.19	4.15
Asset/liability spread	3.33	3.63	3.16	3.24
Net yield on average interest-earning assets	3.95	4.31	-	-

</TABLE>

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Liquidity and Capital Resources

The principal sources of liquidity for SCBC's banking subsidiaries are deposit accounts, Federal Home Loan Bank advances, principal and interest payments on loans, interest received on investment securities, and fees. Deposit accounts are considered a primary source of funds supporting the banking subsidiaries' lending and investment activities. At March 31, 1994, the SCBC banking subsidiaries were in compliance with all regulatory liquidity requirements.

At March 31, 1994, SCBC and its banking subsidiaries were in compliance with all applicable regulatory capital requirements. The following table compares SCBC's regulatory capital as of March 31, 1994, with the two minimum capital standards established by the Board of Governors of the Federal Reserve System (the "FRB").

<TABLE>
<CAPTION>

	Leverage Capital		Risk-based Capital	
	Amount	% of Assets (Dollars in Thousands)	Amount	% of Base
<S>	<C>	<C>	<C>	<C>
SCBC- actual	\$125,812	13.48 %	\$131,590	28.68%
Minimum capital standards	27,995	3.00 1	36,703	8.00
Excess of actual regulatory capital over minimum regulatory capital standards	\$ 97,817	10.48%	\$ 94,887	20.68%

</TABLE>

1 The FRB minimum leverage ratio requirement is 3% to 5%, depending on the institution's composite rating as determined by its regulators. The FRB has not advised SCBC of any specific requirement applicable to it.

Management is not aware of any current recommendations by regulatory authorities which, if implemented, would have a material effect on liquidity, capital resources or operations of SCBC or its banking subsidiaries.

At March 31, 1994, outstanding loan commitments approximated \$4,620,000 (consisting of \$2,801,000 in fixed rate loans and \$1,819,000 in variable rate loans), preapproved but unused lines of credit totalling \$83,987,000 and standby letters of credit aggregating \$241,000.

At March 31, 1994, SCBC had commitments to sell approximately \$1,000,000 of fixed rate mortgage loans at prices approximating carrying value.

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Interest Sensitivity Analysis

The following table sets forth the dollar amount of maturing assets and liabilities as of March 31, 1994, and the difference between them for the repricing periods indicated:

<TABLE>
<CAPTION>

March 31, 1994 (Dollars in Thousands)							
	0-90 Days	91-180 Days	181-365 Days	1-3 Years	3-5 Years	Over 5 Years	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST-EARNING ASSETS							
Federal funds sold	\$ 8,325	-	-	-	-	-	8,325
Interest-bearing balances in other banks	10,853	-	-	-	-	-	10,853
Investment securities	25,113	21,324	46,864	159,097	91,763	17,963	362,124
Loans 1	185,384	59,833	101,623	44,953	35,229	63,145	490,167
Total	\$229,675	81,157	148,487	204,050	126,992	81,108	871,469
INTEREST-BEARING LIABILITIES							
Deposits	263,501	98,457	94,100	178,752	81,749	51	716,610
FHLB advances	-	-	-	7,000	-	-	7,000
Other borrowed money	1,981	-	-	-	-	-	1,981
Total	\$265,482	98,457	94,100	185,752	81,749	51	725,591
Interest sensitivity gap	\$ (35,807)	(17,300)	54,387	18,298	45,243	81,057	145,878
Cumulative interest sensitivity gap	\$ (35,807)	(53,107)	1,280	19,578	64,821	145,878	
Cumulative ratio of interest- earning assets to interest- bearing liabilities	86.51%	85.41%	100.28%	103.04%	108.93%	120.10%	

</TABLE>

1 Includes loans held for sale.

Accounting Matters

Postemployment Benefits

In November 1992, the FASB issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("Statement 112"), which is effective for fiscal years beginning after December 15, 1993.

Statement 112 establishes accounting standards for employers who provide benefits to former or inactive employees after employment but before retirement (referred to in this statement as postemployment benefits). Those benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, continuation of benefits such as health care benefits and life insurance coverage, etc. There was no material impact on SCBC's consolidated financial statements since SCBC generally does not provide such benefits.

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Accounting by Creditors for Impairment of a Loan

The FASB has issued Standard No. 114, "Accounting by Creditors for Impairment of a Loan," which requires that all creditors value all specifically reviewed loans for which it is probable that the creditor will be unable to collect all amounts due according to the terms of the loan agreement at either the present value of expected cash flows discounted at the loan's effective interest rate, or if more practical, the market price or value of collateral. This Standard is required for fiscal years beginning after December 15, 1994. The Corporation has not determined the impact, if any, of this Standard on its consolidated financial statements.

Stock-based Compensation

The FASB has issued an Exposure Draft for a proposed Statement of Financial Accounting Standards entitled "Accounting for Stock-based Compensation" which addresses the recognition and measurement of stock-based compensation paid to employees, including employee stock options, restricted stock, and stock appreciation rights. Employers would be required to recognize a charge to earnings for such awards, whereas generally no charge is recognized under current accounting practices. Compensation expense would be measured as the fair value of the award at the grant date with subsequent adjustments made to reflect the outcome of certain service or performance assumptions made at the date of grant but not for effects of subsequent changes in the price of the entity's stock. Disclosure provisions of the proposed statement would be effective for fiscal years beginning after December 31, 1993 with recognition provisions being effective for awards granted after December 31, 1996.

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PART II. OTHER INFORMATION

Item 1.	Legal Proceedings.	None
Item 2.	Changes in Securities.	None
Item 3.	Defaults Upon Senior Securities.	None
Item 4.	Submission of Matters to a Vote of Security Holders.	None
Item 5.	Other Information.	None
Item 6.	Exhibits and Reports on Form 8-K.	
	a. Current Report on Form 8-K, filed on February 1, 1994, reporting an amendment to the letter of intent between the Registrant and Fairfield Communities, Inc. ("FCI") concerning the Registrant's acquisition of FCI's subsidiary, First Federal Savings and Loan Association of Charlotte ("First Federal").	
	b. Current Report on Form 8-K, filed April 13, 1994, reporting execution of a Stock Purchase Agreement by the Registrant and FCI concerning the Registrant's acquisition of First Federal.	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

SECURITY CAPITAL BANCORP
(Registrant)

Date: May 12, 1994

By: /s/ PRESSLEY A. RIDGILL
Pressley A. Ridgill
Senior Vice President,
Treasurer and Chief
Financial Officer
(Duly Authorized
Representative)