

CHARTER FINANCIAL CORP/GA
Form 10-Q
August 09, 2005
Table of Contents

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, 2005

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 000-33071

Charter Financial Corporation

(Exact name of registrant as specified in its charter)

United States
(State or other jurisdiction of
incorporation or organization)

58-2659667
(IRS Employer
Identification No.)

600 Third Avenue, West Point, Georgia 31833

(Address of principal executive offices)

(Zip Code)

(706) 645-1391

(Registrant's telephone number including area code)

NA

(Former name, former address and former fiscal year, if changed from 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 requirement for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act). Yes No

Table of Contents

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Financial Condition (Unaudited) - June 30, 2005 and September 30, 2004 Page 1

Condensed Consolidated Statements of Income (Unaudited) - Three and Nine months ended June 30, 2005 and 2004 Page 2

Condensed Consolidated Statements of Cash Flows (Unaudited) - Nine months ended June 30, 2005 and 2004 Page 3

Notes to Unaudited Condensed Consolidated Financial Statements Page 4

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Page 7

Item 3. Quantitative and Qualitative Disclosures about Market Risk Page 27

Item 4. Controls and Procedures Page 27

PART II OTHER INFORMATION

Item 1. Legal Proceedings Page 28

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds Page 28

Item 3. Defaults upon Senior Securities Page 28

Item 4. Submission of Matters to a Vote of Security Holders Page 28

Item 5. Other Information Page 28

Item 6. Exhibits Page 28

Signatures Page 29

Certifications

Table of Contents

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements which may be identified by the use of such words as believe, expect, anticipate, should, planned, estimated, and potential. Examples of forward looking statements include, but are not limited to, estimates with respect to our financial condition and results of operation and business that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to:

general and local economic conditions;

changes in interest rates, deposit flows, demand for mortgages and other loans, real estate values, and competition;

the ability of our customers to make loan payments;

the performance of Freddie Mac common stock price and the level of dividends received;

changes in accounting principles, policies, or guidelines;

changes in legislation or regulation; and

other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services.

Any or all of our forward-looking statements in this Quarterly Report on Form 10-Q and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or known or unknown risks and uncertainties. Consequently, no forward-looking statements can be guaranteed. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents**CHARTER FINANCIAL CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Financial Condition

June 30, 2005 and September 30, 2004

(unaudited)

	June 30, 2005	September 30, 2004
	<u> </u>	<u> </u>
Assets		
Cash and amounts due from depository institutions	\$ 13,045,073	10,128,105
Interest-bearing deposits in other financial institutions	2,332,142	2,243,124
	<u> </u>	<u> </u>
Cash and cash equivalents	15,377,215	12,371,229
	<u> </u>	<u> </u>
Loans held for sale, market value of \$1,598,636 and \$2,125,463 at June 30, 2005 and September 30, 2004, respectively	1,504,865	2,077,510
Freddie Mac common stock	295,981,125	300,430,200
Mortgage-backed securities and collateralized mortgage obligations available for sale	379,885,784	378,356,607
Other investment securities available for sale	9,950,740	22,156,750
Federal Home Loan Bank stock	14,956,900	14,842,500
Loans receivable	345,455,032	323,546,874
Unamortized loan origination fees, net	(906,292)	(773,461)
Allowance for loan losses	(6,348,230)	(6,622,597)
	<u> </u>	<u> </u>
Loans receivable, net	338,200,510	316,150,816
	<u> </u>	<u> </u>
Real estate owned	861,143	452,671
Accrued interest and dividends receivable	3,378,708	3,004,224
Premises and equipment, net	13,760,467	11,195,770
Intangible assets, net of amortization	5,810,195	5,954,119
Other assets	1,850,164	1,208,622
	<u> </u>	<u> </u>
Total assets	\$ 1,081,517,816	1,068,201,018
	<u> </u>	<u> </u>
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	\$ 291,772,911	279,574,709
Borrowings	395,817,000	392,789,000
Advance payments by borrowers for taxes and insurance	815,724	1,189,587
Deferred income taxes	109,640,727	111,602,661
Other liabilities	14,703,479	10,544,824
	<u> </u>	<u> </u>

Edgar Filing: CHARTER FINANCIAL CORP/GA - Form 10-Q

Total liabilities	812,749,841	795,700,781
Stockholders' Equity:		
Common stock, \$0.01 par value; 19,830,705 and 19,823,905 shares issued at June 30, 2005 and September 30, 2004, respectively; 19,603,674 and 19,596,874 shares outstanding at June 30, 2005 and September 30, 2004, respectively	198,307	198,239
Additional paid-in capital	38,473,877	37,831,575
Treasury stock, at cost; 227,031 shares at June 30, 2005 and September 30, 2004	(7,059,824)	(7,059,824)
Unearned compensation - Employee Stock Ownership Plan	(2,286,940)	(2,454,940)
Retained earnings	62,204,279	63,626,113
Accumulated other comprehensive income:		
Net unrealized holding gains on securities available for sale	177,238,276	180,359,074
Total stockholders' equity	268,767,975	272,500,237
Total liabilities and stockholders' equity	\$ 1,081,517,816	1,068,201,018

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CHARTER FINANCIAL CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Income

For the Three and Nine Months Ended June 30, 2005 and 2004

(unaudited)

	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Interest and dividend income:				
Loans receivable	\$ 5,284,971	4,517,108	15,168,037	13,412,449
Mortgage-backed securities and collateralized mortgage obligations	4,235,311	3,492,205	12,564,881	10,473,986
Equity securities	1,781,215	1,492,535	5,052,282	4,305,673
Debt securities	92,709	149,313	311,927	333,098
Interest-bearing deposits in other financial institutions	27,216	10,968	62,173	49,025
Total interest and dividend income	11,421,422	9,662,129	33,159,300	28,574,231
Interest expense:				
Deposits	1,538,909	1,166,005	4,234,958	3,584,507
Borrowings	4,070,985	3,036,058	11,715,816	8,934,074
Total interest expense	5,609,894	4,202,063	15,950,774	12,518,581
Net interest income	5,811,528	5,460,066	17,208,526	16,055,650
Provision for loan losses				30,000
Net interest income after provision for loan losses	5,811,528	5,460,066	17,208,526	16,025,650
Noninterest income:				
Gain on sale of loans and servicing released loan fees	195,793	345,153	630,077	897,269
Service charges on deposit accounts	679,030	624,986	1,981,006	1,860,357
Gain on sale of Freddie Mac common stock	1,905,743		4,482,520	1,125,022
Gain on sale of mortgage-backed securities, collateralized mortgage obligations, and other investments		37,787	38,069	115,259
Loan servicing fees	64,476	56,587	184,365	146,287
Gain on operation of covered call program	140,955	(2,226)	449,217	137,564
Brokerage commissions	104,137	61,029	265,057	188,911
Other	17,909	6,165	65,085	50,207
Total noninterest income	3,108,043	1,129,481	8,095,396	4,520,876

Edgar Filing: CHARTER FINANCIAL CORP/GA - Form 10-Q

Noninterest expenses:				
Salaries and employee benefits	2,212,453	2,485,222	7,587,999	7,536,588
Occupancy	769,821	535,289	2,116,225	1,815,710
Legal and professional	471,225	170,382	1,026,612	674,696
Marketing	193,655	195,997	626,013	634,160
Furniture and equipment	176,293	154,480	558,769	411,994
Postage, office supplies, and printing	141,151	120,581	386,753	340,890
Federal insurance premiums and other regulatory fees	57,907	55,797	172,366	165,775
Net cost of operations of real estate owned	10,315	15,027	17,632	66,402
Deposit premium amortization expense	44,703	50,593	143,924	163,362
Other	457,475	329,466	1,029,803	985,604
Total noninterest expenses	4,534,998	4,112,834	13,666,096	12,795,181
Income before income taxes	4,384,573	2,476,713	11,637,826	7,751,345
Income tax expense	1,175,653	604,685	3,041,850	1,957,851
Net income	\$ 3,208,920	1,872,028	8,595,976	5,793,494
Basic and diluted net income per share	\$ 0.16	0.10	0.44	0.30
Weighted average number of common shares outstanding	19,529,672	19,428,466	19,521,791	19,421,990
Weighted average number of common and common equivalent shares outstanding	19,550,470	19,455,679	19,570,263	19,456,345

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CHARTER FINANCIAL CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows

For the Nine Months Ended June 30, 2005 and 2004

(unaudited)

	Nine Months Ended	Nine Months Ended
	June 30, 2005	June 30, 2004
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Net income	\$ 8,595,976	5,793,494
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses		30,000
Depreciation and amortization	690,117	754,567
Allocation of ESOP common stock	611,402	533,834
Amortization of premiums and discounts, net	250,687	483,885
Gain on sale of premises and equipment		(2,500)
Gain on sale of loans	(630,077)	(897,269)
Proceeds from sale of loans	6,359,390	30,015,317
Originations and purchases of loans held for sale	(5,156,667)	(28,361,273)
Gain on sale of Freddie Mac common stock	(4,482,520)	(1,125,022)
Gain on sales of mortgage-backed securities, collateralized mortgage obligations, and other investments	(38,069)	(115,259)
Loss (gain) on real estate owned	14,134	(23,055)
Provision for		