

FLAG FINANCIAL CORP  
Form 10-Q  
November 09, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2004

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 0-24532

FLAG FINANCIAL CORPORATION  
(Exact name of registrant as specified in its charter)

Georgia  
(State of incorporation)

58-2094179  
(I.R.S. Employer Identification No.)

3475 Piedmont Road N.E. Suite 550  
Atlanta, Georgia  
(Address of principal executive offices)

30305  
(Zip Code)

(404) 760-7700  
(Telephone Number)

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

Common stock, par value \$1 per share: 8,259,663 shares  
outstanding as of November 4, 2004

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**Flag Financial Corporation and Subsidiaries**

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**Part I. Financial Information**  
**Item 1. Financial Statements**  
**Flag Financial Corporation and Subsidiaries**

**Consolidated Balance Sheets**

(in thousands)

	(UNAUDITED) September 30, 2004	(AUDITED) December 31, 2003	(UNAUDITED) September 30, 2003
<b><u>ASSETS</u></b>			
Cash and due from banks	\$ 13,721	17,454	17,434
Interest-bearing deposits in banks	15,852	12,183	19,201
Federal funds sold	18,826	7,100	-
Total cash and cash equivalents	48,399	36,737	36,635
Interest-bearing deposits	1,626	2,675	99
Investment securities available-for-sale	94,607	122,565	123,728
Other investments	13,211	14,944	15,265
Mortgage loans held-for-sale	6,666	4,234	4,829
Loans, net	582,046	477,095	428,292
Premises and equipment, net	14,284	16,497	16,766
Other assets	32,199	29,110	29,038
Total assets	\$ 793,038	703,857	654,652

**LIABILITIES**

Non interest-bearing deposits	\$ 42,679	51,087	41,475
Interest-bearing demand deposits	320,777	282,261	244,362
Savings	21,863	23,898	25,241
Time	277,998	213,324	200,514
Total deposits	663,317	570,570	511,592
Advances from Federal Home Loan Bank	40,000	58,000	53,000
Federal funds purchased and other borrowings	4,144	5,197	19,715
Subordinated debt	14,433	-	-
Accrued interest payable and other liabilities	6,106	4,830	6,150
Total liabilities	728,000	638,597	590,457

**STOCKHOLDERS' EQUITY**

Preferred stock (10,000 shares authorized, none issued and outstanding)	-	-	-
Common stock (\$1 par value, 20,000 shares authorized, 9,811, 9,775 and 9,757 shares issued at			

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September 30, 2004, December 31, 2003 and September 30, 2003, respectively	\$	9,811	9,775	9,757
Additional paid-in capital		24,799	24,557	24,433
Retained earnings		43,460	39,294	38,276
Accumulated other comprehensive income		472	1,211	1,306
Less: Treasury stock at cost; 1,551 shares at September 30, 2004, 1,247 shares at December 31, 2003 and 1,247 shares at September 30, 2003, respectively		(13,504)	(9,577)	(9,577)
Total stockholders' equity		65,038	65,260	64,195
Total liabilities and stockholders' equity	\$	793,038	703,857	654,652

**See Accompanying Notes to Unaudited Consolidated Financial Statements.**

**Consolidated Statements of Earnings***(in thousands, except per share data)*

	<b>(UNAUDITED)</b>			
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Interest Income</b>				
Interest and fees on loans	\$ 9,515	7,757	26,313	22,197
Interest on investment securities	1,177	1,383	3,925	4,371
Interest on federal funds sold and interest-bearing deposits	121	127	320	506
Total interest income	10,813	9,267	30,558	27,074
<b>Interest Expense</b>				
Interest on deposits:				
Demand	1,343	821	3,576	2,345
Savings	32	37	99	112
Time	1,436	1,413	3,857	4,848
Interest on other borrowings	354	219	887	634
Total interest expense	3,165	2,490	8,419	7,939
Net interest income before provision for loan losses	7,648	6,777	22,139	19,135
<b>Provision for Loan Losses</b>	375	375	1,470	946
Net interest income after provision for loan losses	7,273	6,402	20,669	18,189
<b>Other Income</b>				
Fees and service charges on deposit accounts	946	850	2,796	2,572
Mortgage banking activities	744	1,144	1,869	3,487
Insurance commissions and brokerage fees	162	49	438	424
Gain on sale of branch	-	-	3,000	-
Gain on sale of investment securities	7	4	700	12
Other income	395	285	734	1,827
Total other income	2,254	2,332	9,537	8,322
<b>Other Expenses</b>				
Salaries and employee benefits	4,480	3,939	13,347	12,018
Occupancy	974	825	2,747	2,522
Professional fees	235	123	817	564
Postage, printing and supplies	244	230	693	759
Amortization of intangibles	23	23	68	60
Communications and data	556	626	1,670	1,832
Other operating	785	737	2,676	2,121
Total other expenses	7,297	6,503	22,018	19,876
Earnings before provision for income taxes	2,230	2,231	8,188	6,635
Provision for income taxes	571	685	2,512	2,060
Net earnings	\$ 1,659	1,546	5,676	4,575

