SFB BANCORP INC
Form 10QSB
August 06, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2001

[ ] 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 0-22587

SFB BANCORP, INC.
(Exact name of Registrant as specified in its Charter)

Tennessee	62-1683732
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
632 East Elk Avenue, Elizabethton, Tennessee	37643
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (423) 543-1000

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.

X Yes ________ No

As of August 2, 2001, there were 582,995 shares of the Registrant's common stock, par value $0.10 per share, outstanding. The Registrant has no other classes of common equity outstanding.

Transitional small business disclosure format:

__________ Yes X No

SFB BANCORP, INC.
AND SUBSIDIARY

Elizabethton, Tennessee

Index

PART I. Page(s

FINANCIAL INFORMATION

Item 1.
Financial Statements

Consolidated Balance Sheets-(Unaudited) as of December 31, 2000 and June 30, 2001............3

Consolidated Statements of Comprehensive Income - (Unaudited) for the three and six month periods ended June 30, 2000 and 2001...4

Consolidated Statements of Stockholders' Equity - (Unaudited)...............................5

Consolidated Statements of Cash Flows - (Unaudited) for the six months ended June 30, 2000 and 2001...6

Notes to (Unaudited) Consolidated Financial Statements...................................7-8

Item 2.
Management's Discussion and Analysis of Financial Condition and Results of Operations...9-13

PART II.

OTHER INFORMATION

Item 1. Legal Proceedings..14

Item 2. Changes in Securities..14

Item 3. Defaults Upon Senior Securities..14

Item 4. Submission of Matters to a Vote of Security Holders............................14

Item 5. Other Information..14

Item 6. Exhibits and Reports on Form 8-K...15

Signatures...16

SFB BANCORP, INC. AND SUBSIDIARY

Consolidated Balance Sheets
(Unaudited)
(in thousands, except share data)

	December 31,	June 30,

Assets	2000	2001
Cash on hand	$ 581	$ 902
Interest earning deposits	1,540	5,545
Investment securities:		
Held to maturity (market value of $841 in 2000 and $757 in 2001)	870	811
Available for sale	1,621	-
Loans receivable, net	46,814	46,875
Mortgage-backed securities:		
Available for sale	1,659	1,521
Premises and equipment, net	957	956
Federal Home Loan Bank stock, at cost	524	542
Accrued interest receivable	355	265
Other assets	47	88
Total assets	$ 54,968	$ 57,505
Liabilities and Stockholders' Equity		
Deposits	$ 42,252	$ 45,334
Federal Home Loan Bank advances	1,000	--
Advance payments by borrowers for taxes and insurance	222	442
Accrued expenses and other liabilities	128	161
Income taxes:		
Current	18	8
Deferred	129	141
Total liabilities	43,749	46,086
Stockholders' equity:		
Preferred stock ($.10 par value, 1,000,000 shares authorized; none outstanding)	-	-
Common stock ($.10 par value, 4,000,000 shares authorized; 767,000 shares issue 588,595 and 582,995 outstanding at December 31, 2001 and June 30, 2001, respectively)	77	77
Paid-in capital	7,392	7,400
Retained earnings, substantially restricted	6,539	6,702
Treasury stock at cost (178,405 shares at December 31, 2000 and 184,005 at June 30, 2001)	(2,245)	(2,315)
Accumulated other comprehensive income	(57)	(39)
Unearned compensation:		
Employee stock ownership plan	(348)	(313)
Restricted stock plan	(139)	(93)
Total stockholders' equity	11,219	11,419
Total liabilities and stockholders' equity	$ 54,968	$ 57,505

The accompanying notes are an integral part of these consolidated financial statements.

3

SFB BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

(Unaudited)
(in thousands, except per share data)

	For Three Months Ended June 30,		For Six Months End June 30,	
	2000	2001	2000	200
Interest income:				
Loans	$ 899	$ 960	$ 1,780	$
Mortgage-backed securities	25	22	56	
Investments	50	29	99	
Interest earning deposits	8	36	12	
Total interest income	982	1,047	1,947	
Interest expense:				
Deposits	488	570	944	
FHLB Advances	8	--	15	
Total interest expense	496	570	959	
Net interest income	486	477	988	
Provision for loan losses	9	9	18	
Net interest income after provision for loan losses	477	468	970	
Non-interest income:				
Loan fees and service charges	43	50	94	
Other	3	2	6	
Total non-interest income	46	52	100	
Non-interest expenses:				
Compensation	157	170	336	
Employee benefits	29	33	64	
Net occupancy expense	33	31	65	
Deposit insurance premiums	2	2	4	
Data processing	28	32	60	
Other	66	70	134	
Total non-interest expenses	315	338	663	
Income before income taxes	208	182	407	
Income tax expense	77	71	150	
Net income	$ 131	$ 111	$ 257	$
Other comprehensive income (loss)	(1)	7	(21)	
Comprehensive income	$ 130	$ 118	$ 236	$
Earnings per share				
Basic	$ .23	$ .20	$ .43	$
Diluted	$ .23	$ .20	$ .43	$

The accompanying notes are an integral part of these
consolidated financial statements.

SFB BANCORP, INC.
AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	Common Stock	Paid-In Capital	Retained Income	Treasury Stock	Accumulated Other Comprehensive Income	Unearne Compensat for ESOP	f
Balance at December 31, 1999	77	7,382	6,165	(1,208)	(45)	(419)	
Net income	-	-	485	-	-	-	
Other comprehensive income	-	-	-	-	(12)	-	
Cash dividends declared ($.20 share)	-	-	(111)	-	-	-	
Treasury stock purchased (90,822 shares)	-	-	-	(1,037)	-	-	
Compensation earned	-	10	-	-	-	71	
Balance at December 31, 2000	77	7,392	6,539	(2,245)	(57)	(348)	
Net income	-	-	218	-	-	-	
Other comprehensive income	-	-	-	-	18	-	
Cash dividends declared ($.10 share)	-	-	(55)	-	-	-	
Treasury stock purchased (5,600 shares)	-	-	-	(70)	-	-	
Compensation earned	-	8	-	-	-	35	
Balance at June 30, 2001	$ 77	$ 7,400	$ 6,702	$ (2,315)	$ (39)	$ (313)	$

The accompanying notes are an integral part of these
consolidated financial statements.

SFB BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Six Months End June 30,	
	2000	2
Operating activities:		
Net income	$ 257	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	47	
Provision for loan losses	18	
Decrease in reserve for uncollected interest	-	
Net increase (decrease) in deferred loan fees	4	
Accretion of discounts on investment securities, net	(13)	
Amortization of premiums on mortgage-backed securities	5	
Amortization of unearned compensation	88	
FHLB stock dividends	(17)	
(Increase) decrease in other assets	25	
(Increase) decrease in accrued interest receivable	(28)	
Increase in accrued expenses and other liabilities	18	
Increase in current income taxes	47	
Net cash provided by operating activities	451	
Investing activities:		
Purchase of investment securities held to maturity	-	
Maturities of investment securities held to maturity	69	
Purchase of investment securities available for sale	-	
Maturities of investment securities available for sale	-	2
Principal payments on mortgage-backed securities available for sale	326	
Net increase in loans	(1,676)	
Purchase of premises and equipment	(21)	
Net cash (used) provided by investing activities	(1,302)	1
Financing activities:		
Net increase in deposits	228	3
Increase in advance payments by borrowers for taxes and insurance	254	
Federal Home Loan Bank Advances	100	
Repayment of Federal Home Loan Bank Advances	-	(1
Treasury stock purchased	(877)	
Payment of cash dividend	(56)	
Net cash (used) provided by financing activities	(351)	2
(Decrease) increase in cash and cash equivalents	(1,202)	4

Cash and cash equivalents at beginning of period	2,162	2
Cash and cash equivalents at end of period	$ 960	$ 6
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 954	$ 1
Income taxes	29	
Noncash transactions:		
Unrealized gains (losses) on securities and mortgage-backed securities available for sale, net of deferred taxes	$ (21)	$

The accompanying notes are an integral part of these consolidated financial statements.

SFB BANCORP, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Preparation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-QSB and therefore, do not include all disclosures necessary for a complete presentation of the consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of stockholders' equity, and consolidated statements of cash flows in conformity with generally accepted accounting principles. However, all adjustments which are, in the opinion of management, necessary for the fair presentation of the interim financial statements have been included. All such adjustments are of a normal recurring nature. The statement of comprehensive income for the six month period ended June 30, 2001 is not necessarily indicative of the results which may be expected for the entire year or any other future interim period.

It is suggested that these consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto for the Company for the year ended December 31, 2000 which are included in the Form 10-KSB by reference (file no. 0-22587).

2. Earnings Per Share

Basic earnings per common share ("EPS") for all periods presented is computed by dividing net income by the weighted average number of common share outstanding. Diluted earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding and dilutive potential common shares, which include stock options. Dilutive potential common shares are calculated using the treasury stock method. Options to purchase 73,630 shares of the Company's common stock were outstanding during the three and six months ending June 30, 2001, but were not included in the computation of diluted EPS because their effect would be anti-dilutive.

	Three months ended,			
	June 30, 2000		June 30, 2001	
	Income	Shares	Income	Shar
Net Income	$131		$111	
BASIC EPS				
Income available to common stockholders	$131	578	$111	5
Per share amount	$.23		$.20	
Effect of Dilutive Securities	$.00		$.00	
DILUTIVE EPS				
Income available to common stockholders	$131	578	$111	5
Per share amount	$.23		$.20	

	Six months ended,			
	June 30, 2000		June 30, 2001	
	Income	Shares	Income	Shar
Net Income	$257		$218	
BASIC EPS				
Income available to common stockholders	$257	594	$218	5
Per share amount	$.43		$.39	
Effect of Dilutive Securities	$.00		$.00	
DILUTIVE EPS				
Income available to common stockholders	$257	594	$218	5
Per share amount	$.43		$.39	

3. Asset Quality

The following table provides information regarding the Bank's nonperforming loans (i.e., loans which are contractually past due 90 days or more) at December 31, 2000 and June 30, 2001, respectively. As of the dates indicated, the Bank had no loans categorized as troubled debt restructuring within the meaning of SFAS 15.

	December 31, 2000	June 30, 2001

	----	----
	(Dollars in Thousands)	
Nonaccrual loans	$ 192	$ 177
Repossessed real estate	-	-
Total nonperforming assets	$ 192	$ 177
Nonperforming loans to net loans	0.41%	0.38%
Nonperforming assets to total assets	0.35%	0.31%

8

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Private Securities Litigation Reform Act of 1995 contains safe harbor provisions regarding forward-looking statements. When used in this discussion, the words "believes", "anticipates", "contemplates", "expects", and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Those risks and uncertainties include changes in interest rates, risk associated with the effect of opening a new branch, the ability to control costs and expenses, and general economic conditions.

The following discussion and analysis is intended to assist in understanding the financial condition and the results of operations of the Company. References to the "Company" include SFB Bancorp, Inc. and/or the Bank as appropriate.

Comparison of Financial Condition

The Company's total consolidated assets increased by approximately $2.5 million, or 4.6% from $55.0 million at December 31, 2000, to $57.5 million at June 30, 2001. The increase in assets for 2001 was primarily due to an approximate $4.3 million increase in cash and interest-earning assets. Deposits increased to $45.3 million at June 30, 2001. The $3.1 million increase in deposits primarily reflects a $2.4 million increase in certificate of deposits balance.

Total cash and interest-earning deposits increased approximately $4.3 million to $6.5 million at June 30, 2001. The increase in cash and interest-earning deposits reflects the $3.1 million increase in deposits and a $1.6 million decrease in investment securities. The Company anticipates utilizing the cash and interest-earning deposit balances to fund future loan demand.

Comparison of Results of Operations for the Three and Six Months Ending June 30, 2000 and 2001

Net Income. Net income for the three months ending June 30, 2001, decreased $20,000, or 15.3%, from $131,000 in 2000, to $111,000 in 2001. Net income decreased $39,000, or 15.2%, to $218,000 for the six months ending June 30, 2001, from $257,000 in 2000. The decline in net income for the three and six months ended June 30, 2001 as compared to the same periods in 2000, reflect the decline in net interest income and the increase in non-interest expenses. For the current three and six month periods, net interest income continued to be squeezed due to the continued effect of the higher short-term interest rates paid on certificates of deposits during the 2000 period. The increase in non-interest expenses for the current three and six month periods reflected normal operating expense increases and the increase in compensation expense for the current three month period.

Net Interest Income. Net interest income decreased $9,000, from $486,000 for the three months ending June 30, 2000, to $477,000 for the three months ending June 30, 2001. Net interest income decreased $44,000, from $988,000 for the six months ending June 30, 2000, to $944,000 for the six months ending June 30, 2001. The decrease in net interest income for the three month period in 2001, primarily reflects a 31 basis point decrease in the interest rate spread in 2001 to 2.56%, as compared to the same period in 2000. The net interest margin decreased 32 basis points from 3.81% in 2000, to 3.49% in 2001. The overall decrease in net interest income for the six months ending June 30, 2001, primarily reflects a 36 basis point decrease in the net interest spread in 2001 to 2.55%, combined with a net decrease in average interest-earning assets over average interest-bearing liabilities of approximately $510,000, as compared to the same period in 2000. The net interest margin decreased 39 basis points to 3.51% for the six months ending June 30, 2001, compared to 2000.

Interest Income. Interest income increased $65,000, from $982,000 for the three months ending June 30, 2000, to approximately $1.1 million for the three months ending June 30, 2001. The increase was attributable to an increase in average interest-earning assets of approximately $3.8 million, from $51.0 million at June 30, 2000, to $54.8 million at June 30, 2001, offset by a decrease in the average yield on interest-earning assets of 6 basis points, from 7.70% for the three months ending June 30, 2000, to 7.64% for the three months ending June 30, 2001. Interest income increased $141,000, or 7.2%, to approximately $2.1 million for the six months ending June 30, 2001, as compared to the same period in 2000. The increase was primarily attributable to a increase average interest-earning assets of approximately $3.3 million, from $50.7 million at June 30, 2000, to $54.0 million at June 30, 2001, and a increase in the average yield on interest-earning assets of 5 basis points, from 7.69% for the three months ending June 30, 2000, to 7.74% for the three months ending June 30, 2001.

Interest on loans increased $61,000 for the three months ending June 30, 2001, as compared to the same period in 2000, and $134,000 for the six months ending June 30, 2001, as compared to the same period in 2000. The increase in interest on loans for the three months ending June 30, 2001, primarily reflects an increase of approximately $1.9 million in the average loans outstanding balance for 2001, compared to 2000, combined with a 17 basis point increase in the average yield on loans from 7.97% in 2000, to 8.14% in 2001. The increase in interest on loans for the six months ending June 30, 2001, primarily reflects an increase of approximately $2.3 million in the average loans outstanding balance for 2001, compared to 2000, combined with a 18 basis point increase in the average yield on loans from 7.96% in 2000, to 8.14% in 2001.

Interest on investment securities decreased $21,000 for the three months ending June 30, 2001, as compared to the same period in 2000, and $35,000 for the six months ending June 30, 2001, as compared to the same period in 2000. The decrease in interest on investments for the three months ending June 30, 2001, primarily reflects a decrease of approximately $1.8 million in the average investment balance for 2001, compared to 2000, offset by a 75 basis point increase in the average yield on investments from 5.28% in 2000, to 6.03% in 2001. The decrease in interest on investments for the six months ending June 30, 2001, primarily reflects a decrease of approximately $1.5 million in the average investment balance for 2001, compared to 2000, offset by a 54 basis point increase in the average yield on investments from 5.28% in 2000, to 5.82% in 2001.

Interest on interest-earning deposits increased $28,000 for the three months ending June 30, 2001, as compared to the same period in 2000, and $50,000 for the six months ending June 30, 2001, as compared to the same period in 2000. The increase in interest on interest-earning deposits for the three months ending June 30, 2001, primarily reflects an increase in the average balance of interest-earning deposits of $3.9 million for 2001, compared to 2000. The increase in interest on interest-earning deposits for the six months ending June 30, 2000, primarily reflects a increase in the average balance of interest-earning deposits of $2.8 million for 2001, compared to 2000.

Interest on mortgage-backed securities decreased $3,000 for the three months ending June 30, 2001, as compared to the same period in 2000, and $8,000 for the six months ending June 30, 2001, as compared to the same period in 2000, as the portfolio continued to pay down principal and those funds were invested in other earning assets.

Interest Expense. Interest expense increased $74,000, from $496,000 for the three months ending June 30, 2000, to $570,000 for the three months ending June 30, 2001. Interest expense increased $185,000, from $959,000 for the six months ending June 30, 2000, to approximately $1.1 million for the six months ending June 30, 2001. The increase for the three months ending June 30, 2001, compared to 2000, was primarily the result of an approximate $3.7 million increase in average balance of interest-bearing liabilities, combined with a 26 basis point increase in the average cost of funds in 2001 to 5.09%. The increase in average balance of interest-bearing liabilities for the three months ending June 30, 2001, as compared to 2000, was primarily due to a $3.6 million increase in the average balance of certificate of deposits, from approximately $31.3 million in 2000, to $34.9 million in the 2001 quarter. The increase for the six months ending June 30, 2001, compared to 2000, was primarily the result of an approximate $3.8 million increase in average balance of interest-bearing liabilities combined with a 42 basis point increase in the average cost of funds in 2001 to 5.19%. The increase in average balance of interest-bearing liabilities for the six months ending June 30, 2001, as compared to 2000, was primarily due to a $3.5 million increase in the average balance of certificate of deposits, from approximately $31.9 million in 2000, to $34.4 million in the 2001 quarter.

The increase in interest expense for both the three and six month periods in 2001, compared to 2000, reflects the increase in short-term interest rates during 2000, which forced the Company to reprice its certificate of deposits at much higher rates. In the first half of 2001 the Federal Reserve began a rate reduction cycle. Until the higher priced certificate of deposits are repriced at lower rates, the Company's cost of funds could remain high as compared to prior periods. If the Federal Reserve continues to reduce short term interest rates as currently predicted, the Company does not expect their interest rate margins to significantly increase in future quarters of 2001.

Provision for Loan Losses. The provision for loan losses was $9,000 three month period ending June 30, 2000 and 2001, respectively. The provision for loan losses was $18,000 for the six month period ending June 30, 2000 and 2001, respectively. The Company's management routinely performs an analysis to quantify the inherent risk of loss in its portfolio. At June 30, 2001, the ratio of the allowance for loan loss was at a level deemed adequate by management to provide for losses in the loan portfolio. The ratio of allowance for loan loss to non-performing loans at June 30, 2001, was approximately 205%, and nonperforming assets represented 0.31% of total consolidated assets. Nonperforming assets were $177,000 at June 30, 2001, compared to $192,000 at December 31, 2000. Management is not aware of any trends or events inherent to its loan portfolio that have not been provided for in its loan loss allowance. However, there can be no assurance that future losses will not exceed estimated amounts or that additional provisions for loan losses will not be required in future periods.

Non-Interest Income. Non-interest income continues to be an additional source of income for the Company. The income is produced by fees on new loan production and service fees on other products and services. Total non-interest income amounted to $52,000 and $102,000 for the three and six months ending June 30, 2001, respectively, and $46,000 and $100,000 for the three and six months ending June 30, 2000, respectively.

Non-Interest Expense. For the three and six month periods ended June 30, 2001 non-interest expense increased $23,000 and $11,000, respectively, as compared to the same period in 2000. For the three months ended June 30, 2001, the increase was primarily the result of a $13,000 increase in compensation expense. The increase in compensation expense for the three months ended June 30, 2001, compared to 2000, was attributable to the payment of dividend equivalency rights ("DER") on outstanding stock options. DERs are required to be paid within thirty (30) days of the payment of cash dividends on Company stock. Generally, DER payments are made in July, however, those payments were made in June 2001.

Income Taxes. Income tax expense for the three months ending June 30, 2001, was $71,000, compared to $77,000 for the same period in 2000. Income tax expense for the six months ending June 30, 2001, was $136,000, compared to $150,000 for the same period in 2000. The decrease for the three and six month periods was principally the result of lower pre-tax income. The effective tax rate for both the three and six months in 2001 was approximately 39%.

Liquidity and Capital Resources. The Company's primary sources of funds are new deposits, proceeds from principal and interest payments on loans, and repayments on mortgage-backed securities. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company's primary investing activity is loan originations. The Company maintains liquidity levels adequate to fund loan commitments, investment opportunities, deposit withdrawals and other financial commitments. Obligations to fund outstanding loan commitments at June 30, 2001 were approximately $645,000.

At June 30, 2001, management had no knowledge of any trends, events or uncertainties that will have or are reasonably likely to have material effects on the liquidity, capital resources or operations of the Company. Furthermore, at June 30, 2001, management was not aware of any current recommendations by the regulatory authorities which, if implemented, would have such an effect.

The Bank exceeded all of its capital requirements at June 30, 2001. The Bank had the following capital ratios at June 30, 2001:

	Actual		For Capital Adequacy Purposes		Ca "Well
	Amount	Ratio	Amount	Ratio	Amou

As of June 30, 2001:								
Total Capital (To risk weighted assets)	$	10,634	30.5%	$	2,786	8.0%	$	3
Tier I Capital (To risk weighted assets)	$	10,271	29.5%	$	1,393	4.0%	$	2
Tier I Capital (To total assets)	$	10,271	18.1%	$	1,700	3.0%	$	2
Tangible Capital (To total assets)	$	10,271	18.1%	$	850	1.50%	$	2

(1) As categorized under the Prompt Corrective Action Provisions.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company and its subsidiaries may be a party to various legal proceedings incident to its or their business. At June 30, 2000, there were no legal proceedings to which the Company or any subsidiary was a party, or to which of any of their property was subject, which were expected by management to result in a material loss.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

The Annual Meeting of Stockholders of the Company ("Meeting") was held on May 17, 2001. The results of the vote on the matters presented at the Meeting were as follows:

1. The following individuals were elected as directors, each for a three-year term:

	Vote For	Vote Withheld
John R. Crockett, Jr.	457,469	42,000
Julian T. Caudill	457,469	42,000

2. Ratification of the appointment of Crisp Hughes Evans LLP as the Company's independent audit firm was approved by stockholders by the following vote

For 451,169; Against 42,000; Abstain 6,300

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a)

(a)	3(i)	Charter of SFB Bancorp, Inc.*
	3(ii)	Bylaws of SFB Bancorp, Inc. *
	4	Specimen Stock Certificate *
	10	Employment Agreement with Peter W. Hampton *
	10.1	SFB Bancorp, Inc. 1998 Stock Option Plan * *
	10.2	Security Federal Bank Restricted Stock Plan * *

* Incorporated by reference to the Registration Statement on Form SB-2, File No. 333-23505.

** Incorporated by reference to the proxy statement for the annual meeting of stockholders on June 1, 1998, and filed with the SEC on April 17, 1998 (File No. 0-22587).

(b) Reports on Form 8-K

None.

SIGNATURES

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

Date: August 6, 2001 By: /s/ Peter W. Hampton

Peter W. Hampton
(President and Chief Executive Officer)

Date: August 6, 2001

By: /s/ Bobby Hyatt

Bobby Hyatt
(Vice President and Finance Officer)

16