

C & F FINANCIAL CORP
Form 10-Q
May 08, 2012

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 March 31, 2012

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 000-23423

C&F Financial Corporation
(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of incorporation or organization)

54-1680165
(I.R.S. Employer Identification No.)

802 Main Street West Point, VA
(Address of principal executive offices)

23181
(Zip Code)

(804) 843-2360
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At May 4, 2012, the latest practicable date for determination, 3,205,431 shares of common stock, \$1.00 par value, of the registrant were outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share amounts)

	March 31, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
Cash and due from banks	\$6,310	\$ 5,787
Interest-bearing deposits in other banks	20,116	5,720
Total cash and cash equivalents	26,426	11,507
Securities-available for sale at fair value, amortized cost of \$136,605 and \$137,575, respectively	143,868	144,646
Loans held for sale, net	63,756	70,062
Loans, net of allowance for loan losses of \$34,757 and \$33,677, respectively	626,069	616,984
Federal Home Loan Bank stock, at cost	3,767	3,767
Corporate premises and equipment, net	28,184	28,462
Other real estate owned, net of valuation allowance of \$3,986 and \$3,927, respectively	5,209	6,059
Accrued interest receivable	5,224	5,242
Goodwill	10,724	10,724
Other assets	32,244	30,671
Total assets	\$945,471	\$ 928,124
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing demand deposits	\$ 105,542	\$ 95,556
Savings and interest-bearing demand deposits	244,846	242,917
Time deposits	310,166	307,943
Total deposits	660,554	646,416
Short-term borrowings	4,797	7,544
Long-term borrowings	132,988	132,987
Trust preferred capital notes	20,620	20,620
Accrued interest payable	1,107	1,111
Other liabilities	25,936	23,356
Total liabilities	846,002	832,034
Commitments and contingencies	—	—
Shareholders' equity		
Preferred stock (\$1.00 par value, 3,000,000 shares authorized, 10,000 shares issued and outstanding)	10	10
Common stock (\$1.00 par value, 8,000,000 shares authorized, 3,199,314 and 3,178,510 shares issued and outstanding, respectively)	3,105	3,091
Additional paid-in capital	13,866	13,438

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Retained earnings	78,969	76,167
Accumulated other comprehensive income, net	3,519	3,384
Total shareholders' equity	99,469	96,090
Total liabilities and shareholders' equity	\$945,471	\$ 928,124

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

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CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except for share and per share amounts)

	Three Months Ended March 31,	
	2012	2011
Interest income		
Interest and fees on loans	\$ 17,476	\$ 16,346
Interest on money market investments	8	15
Interest and dividends on securities		
U.S. government agencies and corporations	57	51
Tax-exempt obligations of states and political subdivisions	1,187	1,194
Corporate bonds and other	28	26
Total interest income	18,756	17,632
Interest expense		
Savings and interest-bearing deposits	253	332
Certificates of deposit, \$100 thousand or more	640	673
Other time deposits	724	850
Borrowings	973	966
Trust preferred capital notes	249	243
Total interest expense	2,839	3,064
Net interest income	15,917	14,568
Provision for loan losses	2,725	2,820
Net interest income after provision for loan losses	13,192	11,748
Noninterest income		
Gains on sales of loans	4,103	3,800
Service charges on deposit accounts	801	848
Other service charges and fees	1,368	1,092
Net gains on calls and sales of available for sale securities	—	—
Other income	1,111	717
Total noninterest income	7,383	6,457
Noninterest expenses		
Salaries and employee benefits	9,742	8,492
Occupancy expenses	1,721	1,526
Other expenses	3,594	3,931
Total noninterest expenses	15,057	13,949
Income before income taxes	5,518	4,256
Income tax expense	1,738	1,287
Net income	3,780	2,969
Effective dividends on preferred stock	146	289
Net income available to common shareholders	\$ 3,634	\$ 2,680

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Per common share data		
Net income – basic	\$ 1.14	\$ 0.86
Net income – assuming dilution	\$ 1.11	\$ 0.85
Cash dividends declared	\$ 0.26	\$ 0.25
Weighted average number of shares – basic	3,190,518	3,123,868
Weighted average number of shares – assuming dilution	3,264,975	3,167,160

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended March	
	2012	31, 2011
Net income	\$ 3,780	\$ 2,969
Other comprehensive income, net		
Changes in defined benefit plan assets and benefit obligations, net	7	4
Unrealized gain on cash flow hedging instruments, net	3	54
Unrealized holding gains on securities, net of reclassification adjustment	125	555
Comprehensive income, net	\$ 3,915	\$ 3,582

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

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(In thousands, except per share amounts)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net	Total Shareholders' Equity
Balance December 31, 2011	\$ 10	\$ 3,091	\$ 13,438	\$ 76,167	\$ 3,384	\$ 96,090
Comprehensive income:						
Net income	—	—	—	3,780	—	3,780
Other comprehensive income, net	—	—	—	—	135	135
Comprehensive income	—	—	—	—	—	3,915
Stock options exercised	—	12	247	—	—	259
Share-based compensation	—	—	120	—	—	120
Accretion of preferred stock discount	—	—	21	(21)	—	—
Common stock issued	—	2	40	—	—	42
Cash dividends paid – common stock (\$0.26 per share)	—	—	—	(832)	—	(832)
Cash dividends paid – preferred stock (5% per annum)						