

Village Bank & Trust Financial Corp.  
Form 10-Q  
November 13, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

TRANSITION REPORT UNDER SECTION 13 OR 15(d)  
OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-50765

VILLAGE BANK AND TRUST FINANCIAL CORP.  
(Exact name of registrant as specified in its charter)

Virginia  
(State or other jurisdiction of  
incorporation or organization)

16-1694602  
(I.R.S. Employer  
Identification No.)

15521 Midlothian Turnpike, Midlothian, Virginia  
(Address of principal executive offices)

23113  
(Zip code)

804-897-3900  
(Registrant's telephone number, including area code)

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 .

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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  Accelerated Filer   
Non-Accelerated Filer  (Do not check if smaller reporting company)  Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date.

4,251,795 shares of common stock, \$4.00 par value, outstanding as of November 3, 2012

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## PART I – FINANCIAL INFORMATION

## ITEM 1 – FINANCIAL STATEMENTS

Village Bank and Trust Financial Corp. and Subsidiary  
Consolidated Balance Sheets  
September 30, 2012 (Unaudited) and December 31, 2011

	September 30, 2012	December 31, 2011
Assets		
Cash and due from banks	\$26,064,313	\$55,557,541
Federal funds sold	154,012	7,228,475
Total cash and cash equivalents	26,218,325	62,786,016
Investment securities available for sale	33,415,951	30,163,292
Loans held for sale	22,526,733	16,168,405
Loans		
Outstandings	374,350,768	427,870,716
Allowance for loan losses	(12,055,844 )	(16,071,424 )
Deferred fees and costs	776,064	767,775
	363,070,988	412,567,067
Premises and equipment, net	26,071,219	26,826,524
Accrued interest receivable	1,800,872	2,046,524
Bank owned life insurance	6,525,838	6,065,305
Other real estate owned	20,575,964	9,177,167
Restricted equity securities	2,511,786	2,989,286
Other assets	5,582,300	12,914,733
	\$ 508,299,976	\$ 581,704,319
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest bearing demand	\$ 58,469,352	\$ 66,534,956
Interest bearing	376,672,785	418,986,096
	435,142,137	485,521,052
Federal Home Loan Bank advances	28,000,000	37,750,000
Long-term debt - trust preferred securities	8,764,000	8,764,000
Other borrowings	5,351,393	5,778,661
Accrued interest payable	816,390	592,283
Other liabilities	6,128,731	7,050,681
Total liabilities	484,202,651	545,456,677
Stockholders' equity		
Preferred stock, \$4 par value, \$1,000 liquidation preference	58,952	58,952
1,000,000 shares authorized, 14,738 shares issued and outstanding		

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Common stock, \$4 par value - 10,000,000 shares issued and outstanding		
4,251,795 shares issued and outstanding at September 30, 2012		
4,243,378 shares issued and outstanding at December 31, 2011	17,007,180	16,973,512
Additional paid-in capital	40,705,016	40,732,178
Retained earnings (deficit)	(34,026,317 )	(21,895,557 )
Preferred stock warrant	732,479	732,479
Discount on preferred stock	(236,004 )	(346,473 )
Accumulated other comprehensive income (loss)	(143,981 )	(7,449 )
Total stockholders' equity	24,097,325	36,247,642
	\$508,299,976	\$581,704,319

See accompanying notes to consolidated financial statements

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Village Bank and Trust Financial Corp. and Subsidiary  
Consolidated Statements of Operations  
Three and Nine Months Ended September 30, 2012 and 2011  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest income				
Loans	\$5,488,927	\$6,586,170	\$17,002,398	\$20,394,359
Investment securities	166,684	356,893	532,229	1,010,017
Federal funds sold	11,570	19,464	44,123	58,268
Total interest income	5,667,181	6,962,527	17,578,750	21,462,644
Interest expense				
Deposits	1,187,060	1,693,205	3,791,427	5,638,873
Borrowed funds	263,747	305,307	798,868	885,156
Total interest expense	1,450,807	1,998,512	4,590,295	6,524,029
Net interest income	4,216,374	4,964,015	12,988,455	14,938,615
Provision for loan losses	700,000	9,507,884	9,095,000	11,410,884
Net interest income after provision for loan losses	3,516,374	(4,543,869)	3,893,455	3,527,731
Noninterest income				
Service charges and fees	604,377	495,165	1,652,355	1,366,547
Gain on sale of loans	2,394,138	1,724,730	6,336,030	4,733,648
Gain (loss) on sale of securities	556,805	108,473	820,482	171,617
Rental income	187,839	168,311	557,920	484,540
Other	285,723	100,804	497,927	303,348
Total noninterest income	4,028,882	2,597,483	9,864,714	7,059,700
Noninterest expense				
Salaries and benefits	3,484,073	3,060,285	9,888,166	9,305,684
Occupancy	513,278	540,929	1,579,976	1,552,537
Equipment	231,556	224,334	710,522	668,554
Supplies	125,514	98,621	322,727	324,565
Professional and outside services	708,554	599,893	2,077,845	1,689,339
Advertising and marketing	48,362	84,740	172,408	319,163
Expenses related to foreclosed real estate	1,724,348	387,666	3,520,971	1,211,878
Other operating expenses	915,333	973,426	2,946,054	2,850,734
Total noninterest expense	7,751,018	5,969,894	21,218,669	17,922,454
Net loss before income taxes	(205,762 )	(7,916,280)	(7,460,500 )	(7,335,023 )
Income tax expense (benefit)	161,315	(2,671,535)	4,043,229	(2,429,829 )
Net income (loss)	(367,077 )	(5,244,745)	(11,503,729)	(4,905,194 )

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Preferred stock dividends and amortization of discount	221,142	222,281	627,031	660,508
Net loss available to common shareholders	\$(588,219 )	\$(5,467,026)	\$(12,130,760)	\$(5,565,702 )
Earnings (loss) per share, basic	\$(0.14 )	\$(1.29 )	\$(2.85 )	\$(1.31 )
Earnings (loss) per share, diluted	\$(0.14 )	\$(1.29 )	\$(2.85 )	\$(1.31 )

See accompanying notes to consolidated financial statements



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Village Bank and Trust Financial Corp. and Subsidiary  
Consolidated Statements of Changes in Comprehensive Income (Loss)  
Three and Nine Months Ended September 30, 2012 and 2011  
(Unaudited)

	For the Three Months Ended September 30,					
	Amount	2012		Amount	2011	
Expense (Benefit)		Total	Expense (Benefit)		Total	
Net income (loss)	\$ (205,762)	\$ 161,315	\$ (367,077)	\$ (7,916,280)	\$ (2,671,535)	\$ (5,244,745)
Other comprehensive income (loss)						
Unrealized holding gains (losses) arising during the period	(62,063 )	(21,101 )	(40,962 )	640,049	217,617	422,432
Reclassification adjustment realized in income	(556,805)	(189,314)	(367,491)	(108,473 )	(36,881 )	(71,592 )
Minimum pension adjustment	3,250	1,105	2,145	3,250	1,105	2,145
Total other comprehensive income (loss)	(615,618)	(209,310)	(406,308)	534,826	181,841	352,985
Total comprehensive income (loss)	\$ (821,380)	\$ (47,995 )	\$ (773,385)	\$ (7,381,454)	\$ (2,489,694)	\$ (4,891,760)

	For the Nine Months Ended September 30,					
	2012			2011		
Amount	Tax Expense (Benefit)	Total	Amount	Tax Expense (Benefit)	Total	
Net Income (loss)	\$ (7,460,500)	\$ 4,043,229	\$ (11,503,729)	\$ (7,335,023)	\$ (2,429,829)	\$ (4,905,194)
Other comprehensive income (loss)						
Unrealized holding gains arising during the period	603,865	205,314	398,551	1,744,020	592,967	1,151,053
Reclassification adjustment realized in income	(820,482 )	(278,964 )	(541,518 )	(171,617 )	(58,350 )	(113,267 )

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Minimum pension adjustment	9,750	3,315	6,435	9,750	3,315	6,435
Total other comprehensive income (loss)	(206,867 )	(70,335 )	(136,532 )	1,582,153	537,932	1,044,221
Total comprehensive income (loss)	\$ (7,667,367)	\$ 3,972,894	\$ (11,640,261)	\$ (5,752,870)	\$ (1,891,897)	\$ (3,860,973)

See accompanying notes to consolidated financial statements

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Village Bank and Trust Financial Corp. and Subsidiary  
Consolidated Statements of Stockholders' Equity  
Nine Months Ended September 30, 2012 and 2011  
(Unaudited)

Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Warrant <del>&amp;</del> #	Discount on Preferred	Accumulated Other Comprehensive
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