

Village Bank & Trust Financial Corp.
Form 10-Q
August 15, 2012

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 June 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 <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/> (Do not check if 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

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 August 3, 2012

Village Bank and Trust Financial Corp.
Form 10-Q

TABLE OF CONTENTS

Part I – Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets

June 30, 2012 (unaudited) and December 31, 2011 3

Consolidated Statements of Operations For the Three and Six Months Ended
June 30, 2012 and 2011 (unaudited) 4

Consolidated Statements of Comprehensive Income (Loss)

For the Three and Six Months Ended June 30, 2012 and 2011 (unaudited) 5

Consolidated Statements of Stockholders' Equity For the Six Months Ended
June 30, 2012 and 2011 (unaudited) 6

Consolidated Statements of Cash Flows For the Six Months Ended
June 30, 2012 and 2011 (unaudited) 7

Notes to Condensed Consolidated Financial Statements (unaudited) 8

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations 33

Item 3. Quantitative and Qualitative Disclosures About Market Risk 56

Item 4. Controls and Procedures 56

Part II – Other Information

Item 1. Legal Proceedings 58

Item 1A. Risk Factors 58

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 58

Item 3. Defaults Upon Senior Securities 58

Item 4. Mine Safety Disclosures 58

Item 5. Other Information 58

Item 6. Exhibits 58

Signatures

59

2

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

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

	June 30, 2012	December 31, 2011
Assets		
Cash and due from banks	\$ 23,271,435	\$ 55,557,541
Federal funds sold	3,834,563	7,228,475
Total cash and cash equivalents	27,105,998	62,786,016
Investment securities available for sale	36,696,282	30,163,292
Loans held for sale	19,729,508	16,168,405
Loans		
Outstandings	393,035,350	427,870,716
Allowance for loan losses	(14,865,722)	(16,071,424)
Deferred fees and costs	751,748	767,775
	378,921,376	412,567,067
Premises and equipment, net	26,286,493	26,826,524
Accrued interest receivable	1,910,147	2,046,524
Bank owned life insurance	6,159,335	6,065,305
Other real estate owned	17,677,080	9,177,167
Restricted equity securities	2,767,886	2,989,286
Other assets	7,208,307	12,914,733
	\$ 524,462,412	\$ 581,704,319
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest bearing demand	\$ 64,348,408	\$ 66,534,956
Interest bearing	386,071,500	418,986,096
Total deposits	450,419,908	485,521,052
Federal Home Loan Bank advances	29,000,000	37,750,000
Long-term debt - trust preferred securities	8,764,000	8,764,000
Other borrowings	5,062,344	5,778,661
Accrued interest payable	703,817	592,283
Other liabilities	5,458,402	7,050,681
Total liabilities	499,408,471	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 June
30, 2012

4,243,378 shares issued and outstanding at
December 31, 2011

Additional paid-in capital

Retained earnings (deficit)

Preferred stock warrant

Discount on preferred stock

Accumulated other comprehensive income (loss)

Total stockholders' equity

17,007,180

40,704,021

(33,438,097)

732,479

(272,921)

262,327

25,053,941

16,973,512

40,732,178

(21,895,557)

732,479

(346,473)

(7,449)

36,247,642

\$ 524,462,412

\$ 581,704,319

See accompanying notes to consolidated financial
statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest income				
Loans	\$5,614,263	\$6,767,421	\$11,513,471	\$13,808,189
Investment securities	215,196	352,798	365,545	653,124
Federal funds sold	11,621	20,481	32,553	38,804
Total interest income	5,841,080	7,140,700	11,911,569	14,500,117
Interest expense				
Deposits	1,245,465	1,905,320	2,604,018	3,944,196
Borrowed funds	244,135	297,158	535,121	579,849
Total interest expense	1,489,600	2,202,478	3,139,139	4,524,045
Net interest income	4,351,480	4,938,222	8,772,430	9,976,072
Provision for loan losses	6,660,000	900,000	8,395,000	1,903,000
Net interest income (loss) after provision for loan losses	(2,308,520)	4,038,222	377,430	8,073,072
Noninterest income				
Service charges and fees	540,335	498,432	1,047,978	871,382
Gain on sale of loans	2,191,229	1,636,240	3,941,892	3,008,918
Gain (loss) on sale of securities	99,470	19	263,677	63,144
Rental income	182,199	164,620	393,197	299,069
Other	121,896	106,554	211,855	201,072
Total noninterest income	3,135,129	2,405,865	5,858,599	4,443,585
Noninterest expense				
Salaries and benefits	3,305,869	3,195,283	6,404,093	6,245,399
Occupancy	579,931	518,712	1,160,800	994,448
Equipment	202,616	224,150	407,980	444,220
Supplies	105,311	109,785	197,213	225,944
Professional and outside services	733,909	523,092	1,369,291	1,089,446
Advertising and marketing	47,983	111,584	124,046	234,423
Expenses related to foreclosed real estate	677,848	361,896	1,796,623	824,212
Other operating expenses	1,027,500	1,010,448	2,030,721	1,877,307
Total noninterest expense	6,680,967	6,054,950	13,490,767	11,935,399
Net income (loss) before income taxes	(5,854,358)	389,137	(7,254,738)	581,258
Income tax expense	3,881,914	132,306	3,881,914	241,706
Net income (loss)	(9,736,272)	256,831	(11,136,652)	339,552
Preferred stock dividends and amortization of discount	185,449	220,169	405,898	438,227

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Net income (loss) available to common shareholders	\$ (9,921,721)	\$ 36,662	\$ (11,542,550)	\$ (98,675))
Earnings (loss) per share, basic	\$ (2.33) \$ 0.01	\$ (2.72) \$ (0.02)
Earnings (loss) per share, diluted	\$ (2.33) \$ 0.01	\$ (2.72) \$ (0.02)

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

	For the Three Months Ended June 30,		
	2012		2011
	Tax		Tax
	Expense		Expense
Amount	(Benefit)	Total	