

C & F FINANCIAL CORP
Form 10-Q
May 08, 2013

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, 2013

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)

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

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(§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="radio"/>	Accelerated filer	<input checked="" type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>

(Do not check if a 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

At April 30, 2013, the latest practicable date for determination, 3,269,184 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, 2013 (Unaudited)	December 31, 2012
ASSETS		
Cash and due from banks	\$6,191	\$8,079
Interest-bearing deposits in other banks	64,535	17,541
Total cash and cash equivalents	70,726	25,620
Securities-available for sale at fair value, amortized cost of \$142,192 and \$143,661, respectively	150,521	152,817
Loans held for sale, net	45,432	72,727
Loans, net of allowance for loan losses of \$33,921 and \$35,907, respectively	641,195	640,283
Federal Home Loan Bank stock, at cost	3,525	3,744
Corporate premises and equipment, net	27,839	27,083
Other real estate owned, net of valuation allowance of \$4,086 and \$3,937, respectively	5,297	6,236
Accrued interest receivable	5,566	5,673
Goodwill	10,724	10,724
Other assets	32,552	32,111
Total assets	\$993,377	\$977,018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing demand deposits	\$115,553	\$105,721
Savings and interest-bearing demand deposits	296,535	293,854
Time deposits	284,376	286,609
Total deposits	696,464	686,184
Short-term borrowings	13,612	9,139
Long-term borrowings	132,987	132,987
Trust preferred capital notes	20,620	20,620
Accrued interest payable	797	837
Other liabilities	23,983	25,054
Total liabilities	888,463	874,821
Shareholders' equity		
Common stock (\$1.00 par value, 8,000,000 shares authorized, 3,268,169 and 3,259,823 shares issued and outstanding, respectively)	3,163	3,162
Additional paid-in capital	5,780	5,624
Retained earnings	91,753	88,695
Accumulated other comprehensive income, net	4,218	4,716
Total shareholders' equity	104,914	102,197
Total liabilities and shareholders' equity	\$993,377	\$977,018

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

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended March 31,	
	2013	2012
Interest income		
Interest and fees on loans	\$ 17,819	\$ 17,476
Interest on money market investments	23	8
Interest and dividends on securities		
U.S. government agencies and corporations	106	57
Tax-exempt obligations of states and political subdivisions	1,142	1,187
Corporate bonds and other	33	28
Total interest income	19,123	18,756
Interest expense		
Savings and interest-bearing deposits	219	253
Certificates of deposit, \$100 or more	375	640
Other time deposits	485	724
Borrowings	881	973
Trust preferred capital notes	188	249
Total interest expense	2,148	2,839
Net interest income	16,975	15,917
Provision for loan losses	3,180	2,725
Net interest income after provision for loan losses	13,795	13,192
Noninterest income		
Gains on sales of loans	4,797	4,103
Service charges on deposit accounts	924	801
Other service charges and fees	1,504	1,368
Net gains on calls of available for sale securities	2	—
Other income	967	1,111
Total noninterest income	8,194	7,383
Noninterest expenses		
Salaries and employee benefits	10,165	9,742
Occupancy expenses	1,768	1,721
Other expenses	4,192	3,594
Total noninterest expenses	16,125	15,057
Income before income taxes	5,864	5,518
Income tax expense	1,858	1,738
Net income	4,006	3,780
Effective dividends on preferred stock	—	146
Net income available to common shareholders	\$ 4,006	\$ 3,634

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Per common share data			
Net income – basic	\$	1.23	\$ 1.14
Net income – assuming dilution	\$	1.19	\$ 1.11
Cash dividends declared	\$	0.29	\$ 0.26
Weighted average number of shares – basic		3,266,712	3,190,518
Weighted average number of shares – assuming dilution		3,371,277	3,264,975

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

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

	Three Months Ended March 31,	
	2013	2012
Net income	\$ 4,006	\$ 3,780
Other comprehensive income (loss), net:		
Changes in defined benefit plan assets and benefit obligations, net	9	7
Unrealized gain on cash flow hedging instruments, net	30	3
Unrealized holding (losses) gains on securities, net of reclassification adjustment	(537)	125
Other comprehensive income (loss), net:	(498)	135
Comprehensive income, net	\$ 3,508	\$ 3,915

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

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, 2012	\$ —	\$ 3,162	\$ 5,624	\$ 88,695	\$ 4,716	\$ 102,197
Comprehensive income:						
Net income	—	—	—	4,006	—	4,006
Other comprehensive income (loss), net	—	—	—	—	(498)	(498)
Stock options exercised	—	1	16	—	—	17
Share-based compensation	—	—	140	—	—	140
Cash dividends paid – common stock (\$0.29 per share)	—	—	—	(948)	—	(948)
Balance March 31, 2013	\$ —	\$ 3,163	\$ 5,780	\$ 91,753	\$ 4,218	\$ 104,914

	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
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)	—	—	—	(125)	—	(125)
Balance March 31, 2012	\$ 10	\$ 3,105	\$ 13,866	\$ 78,969	\$ 3,519	\$ 99,469

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2013	2012
Operating activities:		
Net income	\$ 4,006	\$ 3,780
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	562	560
Provision for loan losses	3,180	2,725
Provision for indemnifications	225	125
Provision for other real estate owned losses	150	200
Share-based compensation	140	120
Accretion of discounts and amortization of premiums on securities, net	176	191
Net realized (gain) loss on calls of securities	(2)	—
Realized (gain) losses on sales of other real estate owned	(7)	13
Proceeds from sales of loans held for sale	205,469	179,602
Origination of loans held for sale	(178,174)	(173,296)
Change in other assets and liabilities:		
Accrued interest receivable	107	18
Other assets	(175)	(1,645)
Accrued interest payable	(40)	(4)
Other liabilities	(1,235)	2,470
Net cash provided by operating activities	34,382	14,859
Investing activities:		
Proceeds from maturities, calls and sales of securities available for sale	7,179	7,802
Purchases of securities available for sale	(5,882)	(7,023)
Redemption of Federal Home Loan Bank stock	219	—
Net increase in customer loans	(4,162)	(11,912)
Other real estate owned improvements	—	(205)