

Village Bank & Trust Financial Corp.
Form 10-Q
August 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

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: 0-50765

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.)

13319 Midlothian Turnpike, Midlothian, Virginia 23113

(Address of principal executive offices)

(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

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

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

Accelerated Filer

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.

1,412,897 shares of common stock, \$4.00 par value, outstanding as of July 27, 2015

Village Bank and Trust Financial Corp. and Subsidiary

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Part I – Financial Information

ITEM 1 – FINANCIAL STATEMENTS

Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Balance Sheets
June 30, 2015 (Unaudited) and December 31, 2014
(dollars in thousands)

	June 30, 2015	December 31, 2014
Assets		
Cash and due from banks	\$15,796	\$ 25,115
Federal funds sold	4,174	23,988
Total cash and cash equivalents	19,970	49,103
Investment securities available for sale	39,420	39,542
Loans held for sale	20,662	9,914
Loans		
Outstandings	301,629	286,146
Allowance for loan losses	(5,567)	(5,729)
Deferred fees and costs	1,060	722
	297,122	281,139
Other real estate owned, net of valuation allowance	8,605	12,638
Assets held for sale	13,711	13,502
Premises and equipment, net	13,718	14,301
Bank owned life insurance	7,038	6,947
Accrued interest receivable	2,041	1,372
Other assets	5,779	5,546
	\$428,066	\$ 434,004
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest bearing demand	\$74,482	\$ 77,496
Interest bearing	295,929	301,364
Total deposits	370,411	378,860
Federal Home Loan Bank advances	7,000	14,000
Long-term debt - trust preferred securities	8,764	8,764
Other borrowings	3,657	3,302
Accrued interest payable	1,254	1,167
Other liabilities	7,078	8,853

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Total liabilities	398,164	414,946
Shareholders' equity		
Preferred stock, \$4 par value, \$1,000 liquidation preference, 1,000,000 shares authorized; 5,715 shares issued and outstanding at June 30, 2015, 14,738 shares issued and outstanding at December 31, 2014	23	59
Common stock, \$4 par value, 10,000,000 shares authorized; 1,403,647 shares issued and outstanding at June 30, 2015 350,622 shares issued and outstanding at December 31, 2014	5,553	1,339
Additional paid-in capital	58,417	58,188
Accumulated deficit	(34,171)	(40,539)
Common stock warrant	732	732
Stock in directors rabbi trust	(1,034)	(878)
Directors deferred fees obligation	1,034	878
Accumulated other comprehensive loss	(652)	(721)
Total shareholders' equity	29,902	19,058
	\$428,066	\$ 434,004

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, 2015 and 2014
(Unaudited)
(dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income				
Loans	\$ 3,692	\$ 3,795	\$ 7,316	\$ 7,766
Investment securities	154	322	309	654
Federal funds sold	18	25	36	44
Total interest income	3,864	4,142	7,661	8,464
Interest expense				
Deposits	620	767	1,256	1,553
Borrowed funds	103	138	225	300
Total interest expense	723	905	1,481	1,853
Net interest income	3,141	3,237	6,180	6,611
Provision for loan losses	-	-	-	100
Net interest income after provision for loan losses	3,141	3,237	6,180	6,511
Noninterest income				
Service charges and fees	683	601	1,275	1,084
Gain on sale of loans	1,728	1,352	2,957	2,163
Gain on sale of assets	-	3	-	3
Gain on sale of investment securities	-	1	7	1
Rental income	250	250	490	506
Other	75	112	177	236
Total noninterest income	2,736	2,319	4,906	3,993
Noninterest expense				
Salaries and benefits	2,711	2,679	5,379	5,449
Commissions	443	347	735	569
Occupancy	409	393	887	875
Equipment	212	174	398	380
Write down of assets held for sale	687	-	687	-
Supplies	65	78	134	166
Professional and outside services	649	642	1,296	1,281
Advertising and marketing	101	56	173	139
Loss (gain) on sale and write down of OREO, net	(218)	404	(86)	687
Other operating expense	734	816	1,404	1,648
Total noninterest expense	5,793	5,589	11,007	11,194

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Net income (loss) before income tax expense (benefit)	84	(33)	79	(690)
Income tax expense (benefit)	-	-	-	-
Net income (loss)	84	(33)	79	(690)
Preferred stock dividends and amortization of discount	(167)	(347)	(330)	(661)
Preferred stock principal forgiveness	-	-	4,404	-
Preferred stock dividend forgiveness	-	-	2,215	-
Income (loss) available to common shareholders	\$ (83)	\$ (380)	\$6,368	\$(1,351)
Earnings (loss) per share, basic	\$ (0.06)	\$ (1.14)	\$7.00	\$(4.04)
Earnings (loss) per share, diluted	\$ (0.06)	\$ (1.14)	\$6.92	\$(4.04)

See accompanying notes to consolidated financial statements.

Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Changes in Comprehensive Income (Loss)
Three and Six Months Ended June 30, 2015 and 2014
(Unaudited)
(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	\$ 84	\$ (33)	\$ 79	\$ (690)
Other comprehensive income (loss)				
Unrealized holding gains (losses) arising during the period	(551)	1,323	106	3,149
Tax effect	(187)	450	37	1,070
Net change in unrealized holding gains (losses) on securities available for sale, net of tax	(364)	873	69	2,079
Reclassification adjustment				
Reclassification adjustment for gains realized in net income	-	(1)	(7)	(1)
Tax effect	-	-	(2)	-
Reclassification for gains included in net income, net of tax	-	(1)	(5)	(1)
Minimum pension adjustment	3	3	6	6
Tax effect	1	1	2	2
Minimum pension adjustment, net of tax	2	2	4	4
Total other comprehensive income (loss)	(362)	874	69	2,082
Total comprehensive income (loss)	\$ (278)	\$ 841	\$ 148	\$ 1,392

See accompanying notes to consolidated financial statements.

Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Shareholders' Equity
Six Months Ended June 30, 2015 and 2014
(Unaudited)
(dollars in thousands)

		Additional			Discount	Stock in	Directors	Accumulated	
Preferred	Common	Paid-in	Accumulated	Warrant	on	Directors	Deferred	Other	
Stock	Stock	Capital	Deficit		Preferred	Rabbi	Fees		Total
					Stock	Trust	Obligation	loss	