

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

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

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 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

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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  Accelerated filer   
Non-accelerated filer  (Do not check if a 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

At November 1, 2012, the latest practicable date for determination, 3,233,059 shares of common stock, \$1.00 par value, of the registrant were outstanding.

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## TABLE OF CONTENTS

	Page
Part I - Financial Information	
Item 1.	Financial Statements
	<u>Consolidated Balance Sheets – September 30, 2012 (unaudited) and December 31, 2011</u> 2
	<u>Consolidated Statements of Income (unaudited) - Three and nine months ended September 30, 2012 and 2011</u> 3
	<u>Consolidated Statements of Comprehensive Income (unaudited) – Three and nine months ended September 30, 2012 and 2011</u> 4
	<u>Consolidated Statements of Shareholders’ Equity (unaudited) - Nine months ended September 30, 2012 and 2011</u> 5
	<u>Consolidated Statements of Cash Flows (unaudited) - Nine months ended September 30, 2012 and 2011</u> 6
	<u>Notes to Consolidated Financial Statements (unaudited)</u> 7
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 26
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 47
Item 4.	<u>Controls and Procedures</u> 47
Part II - Other Information	
Item 1A.	<u>Risk Factors</u> 47
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 47
Item 6.	<u>Exhibits</u> 48
	<u>Signatures</u> 49

Table of Contents

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2012 (Unaudited)	December 31, 2011
<b>ASSETS</b>		
Cash and due from banks	\$6,100	\$ 5,787
Interest-bearing deposits in other banks	7,649	4,723
Federal funds sold	—	997
Total cash and cash equivalents	13,749	11,507
Securities-available for sale at fair value, amortized cost of \$131,438 and \$137,575, respectively	140,608	144,646
Loans held for sale, net	78,072	70,062
Loans, net of allowance for loan losses of \$34,990 and \$33,677, respectively	646,236	616,984
Federal Home Loan Bank stock, at cost	3,744	3,767
Corporate premises and equipment, net	27,627	28,462
Other real estate owned, net of valuation allowance of \$4,547 and \$3,927, respectively	4,621	6,059
Accrued interest receivable	5,594	5,242
Goodwill	10,724	10,724
Other assets	30,844	30,671
Total assets	\$961,819	\$ 928,124
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Deposits</b>		
Noninterest-bearing demand deposits	\$ 116,636	\$ 95,556
Savings and interest-bearing demand deposits	254,976	242,917
Time deposits	292,600	307,943
Total deposits	664,212	646,416
Short-term borrowings	17,371	7,544
Long-term borrowings	132,987	132,987
Trust preferred capital notes	20,620	20,620
Accrued interest payable	921	1,111
Other liabilities	27,231	23,356
Total liabilities	863,342	832,034
<b>Shareholders' equity</b>		
Preferred stock (\$1.00 par value, 3,000,000 shares authorized, 0 and 10,000 shares issued and outstanding, respectively)	—	10
Common stock (\$1.00 par value, 8,000,000 shares authorized, 3,227,311 and 3,178,510 shares issued and outstanding, respectively)	3,134	3,091
Additional paid-in capital	4,861	13,438

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Retained earnings	85,747	76,167
Accumulated other comprehensive income, net	4,735	3,384
Total shareholders' equity	98,477	96,090
Total liabilities and shareholders' equity	\$961,819	\$ 928,124

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

Table of Contents

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest income				
Interest and fees on loans	\$18,284	\$17,611	\$53,584	\$51,000
Interest on money market investments	2	7	15	38
Interest and dividends on securities				
U.S. government agencies and corporations	49	50	158	156
Tax-exempt obligations of states and political subdivisions	1,141	1,222	3,514	3,641
Corporate bonds and other	29	28	88	84
Total interest income	19,505	18,918	57,359	54,919
Interest expense				
Savings and interest-bearing deposits	184	247	634	853
Certificates of deposit, \$100 or more	452	677	1,639	2,013
Other time deposits	565	785	1,926	2,454
Borrowings	960	975	2,900	2,907
Trust preferred capital notes	250	247	747	736
Total interest expense	2,411	2,931	7,846	8,963
Net interest income	17,094	15,987	49,513	45,956
Provision for loan losses	2,965	4,075	8,550	10,285
Net interest income after provision for loan losses	14,129	11,912	40,963	35,671
Noninterest income				
Gains on sales of loans	6,203	4,282	15,024	11,778
Service charges on deposit accounts	823	915	2,449	2,609
Other service charges and fees	1,685	1,370	4,661	3,776
Net gains on calls of available for sale securities	3	1	11	1
Other income	856	572	2,537	1,550
Total noninterest income	9,570	7,140	24,682	19,714
Noninterest expenses				
Salaries and employee benefits	11,001	7,965	30,339	24,887
Occupancy expenses	1,701	1,644	5,099	4,781
Other expenses	4,285	4,314	11,833	11,932
Total noninterest expenses	16,987	13,923	47,271	41,600
Income before income taxes	6,712	5,129	18,374	13,785
Income tax expense	2,179	1,616	5,880	4,220
Net income	4,533	3,513	12,494	9,565
Effective dividends on preferred stock	—	458	311	1,037

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Net income available to common shareholders	\$4,533	\$3,055	\$12,183	\$8,528
Per common share data				
Net income – basic	\$1.41	\$0.97	\$3.80	\$2.72
Net income – assuming dilution	\$1.36	\$0.96	\$3.69	\$2.69
Cash dividends declared	\$0.27	\$0.25	\$0.79	\$0.75
Weighted average number of shares – basic	3,220,906	3,141,926	3,206,739	3,132,332
Weighted average number of shares – assuming dilution	3,332,970	3,174,369	3,298,030	3,166,930

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

Table of Contents

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income	\$4,533	\$3,513	\$12,494	\$9,565
Other comprehensive income, net:				
Changes in defined benefit plan assets and benefit obligations, net	7	4	19	11
Unrealized loss on cash flow hedging instruments, net	(16 )	(161 )	(32 )	(245 )
Unrealized holding gains on securities, net of reclassification adjustment	459	1,694	1,364	3,840
Comprehensive income, net	\$4,983	\$5,050	\$13,845	\$13,171

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



Table of Contents

## 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	—	—	—	12,494	—	12,494
Other comprehensive income, net	—	—	—	—	1,351	1,351
Comprehensive income	—	—	—	—	—	13,845
Stock options exercised	—	36	763	—	—	799
Share-based compensation	—	—	365	—	—	365
Restricted stock vested	—	3	(3 )	—	—	—
Preferred stock redemption	(10 )	—	(9,990 )	—	—	(10,000 )
Accretion of preferred stock discount	—	—	172	(172 )	—	—
Common stock issued	—	4	116	—	—	120
Cash dividends paid – common stock (\$0.79 per share)	—	—	—	(2,539 )	—	(2,539 )
Cash dividends paid – preferred stock (5% per annum)	—	—	—	(203 )	—	(203 )
Balance September 30, 2012	\$—	\$ 3,134	\$ 4,861	\$ 85,747	\$ 4,735	\$ 98,477

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net	Total Shareholders' Equity
Balance December 31, 2010	\$ 20	\$ 3,032	\$ 22,112	\$ 67,542	\$ 71	\$ 92,777
Comprehensive income:						
Net income	—	—	—	9,565	—	9,565
Other comprehensive income, net	—	—	—	—	3,606	3,606
Comprehensive income	—	—	—	—	—	13,171
Stock options exercised	—	8	134	—	—	142
Share-based compensation	—	—	251	—	—	—