

C & F FINANCIAL CORP
Form 10-Q
May 09, 2006
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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, 2006

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)

(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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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, 2006, the latest practicable date for determination, 3,153,248 shares of common stock, \$1.00 par value, of the registrant were outstanding.

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Table of Contents**PART I - FINANCIAL INFORMATION****ITEM 1 FINANCIAL STATEMENTS****CONSOLIDATED BALANCE SHEETS**

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

	March 31, 2006 (Unaudited)	December 31, 2005
ASSETS		
Cash and due from banks	\$ 11,152	\$ 13,316
Interest-bearing deposits in other banks	7,179	29,562
Total cash and cash equivalents	18,331	42,878
Securities-available for sale at fair value, amortized cost of \$65,154 and \$64,021, respectively	65,981	65,301
Loans held for sale, net	45,470	39,677
Loans, net	488,190	465,039
Federal Home Loan Bank stock	2,678	1,876
Corporate premises and equipment, net of accumulated depreciation	31,452	29,147
Accrued interest receivable	3,815	3,664
Goodwill	10,724	10,724
Other assets	14,934	13,651
Total assets	\$ 681,575	\$ 671,957
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest bearing demand deposits	\$ 78,907	\$ 78,934
Savings and interest-bearing demand deposits	186,396	195,211
Time deposits	222,811	221,293
Total deposits	488,114	495,438
Short-term borrowings	27,202	13,529
Long-term borrowings	81,472	78,475
Trust preferred capital notes	10,310	10,310
Accrued interest payable	1,380	1,306
Other liabilities	11,451	12,813
Total liabilities	619,929	611,871
Commitments and contingent liabilities		
Shareholders' equity		
Preferred stock (\$1.00 par value, 3,000,000 shares authorized)		
Common stock (\$1.00 par value, 8,000,000 shares authorized, 3,152,548 and 3,140,868 shares issued and outstanding, respectively)	3,153	3,141
Additional paid-in capital	351	183
Retained earnings	57,605	55,930
Accumulated other comprehensive income, net	537	832
Total shareholders' equity	61,646	60,086

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Total liabilities and shareholders' equity	\$	681,575	\$	671,957
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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 March 31,	
	2006	2005
Interest income		
Interest and fees on loans	\$ 12,595	\$ 10,118
Interest on other money market investments	131	168
Interest on securities		
U.S. government agencies and corporations	59	74
Tax-exempt obligations of states and political subdivisions	584	609
Corporate bonds and other	124	123
Total interest income	13,493	11,092
Interest expense		
Savings and interest-bearing deposits	563	392
Certificates of deposit, \$100 or more	614	305
Other time deposits	1,211	727
Borrowings	1,545	824
Total interest expense	3,933	2,248
Net interest income	9,560	8,844
Provision for loan losses	1,275	1,089
Net interest income after provision for loan losses	8,285	7,755
Noninterest income		
Gains on sales of loans	3,863	3,679
Service charges on deposit accounts	674	652
Other service charges and fees	1,092	1,010
Gain on calls of available for sale securities	31	
Other income	326	406
Total noninterest income	5,986	5,747
Noninterest expenses		
Salaries and employee benefits	6,949	6,455
Occupancy expenses	1,208	955
Other expenses	2,473	2,330
Total noninterest expenses	10,630	9,740
Income before income taxes	3,641	3,762
Income tax expense	1,115	1,155
Net income	\$ 2,526	\$ 2,607
Per share data		

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Net income basic	\$.80	\$.73
Net income assuming dilution	\$.77	\$.71
Cash dividends paid and declared	\$.27	\$.24
Weighted average number of shares basic		3,148,640		3,551,093
Weighted average number of shares assuming dilution		3,274,462		3,685,550

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

Table of Contents**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(Unaudited)

(In thousands)

			Accumulated			
			Other			
	Common Stock	Additional Paid-In Capital	Comprehensive Income	Retained Earnings	Comprehensive Income	Total
December 31, 2005	\$ 3,141	\$ 183		\$ 55,930	\$ 832	\$ 60,086
Comprehensive income						
Net income			\$ 2,526	2,526		2,526
Other comprehensive loss, net of tax Unrealized loss on securities, net of reclassification adjustment			(295)		(295)	(295)
Comprehensive income			\$ 2,231			
Repurchase of common stock	(1)	(59)				(60)
Stock options exercised	13	227				240
Cash dividends				(851)		(851)
March 31, 2006	\$ 3,153	\$ 351		\$ 57,605	\$ 537	\$ 61,646

Disclosure of Reclassification Amount:

Unrealized net holding losses arising during period	\$ (275)
Less: reclassification adjustment for gains included in net income	20
Unrealized losses on securities, net of reclassification adjustment	\$ (295)

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

Table of Contents**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(Unaudited)

(In thousands)

	Common Stock	Additional Paid-In Capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Total
December 31, 2004	\$ 3,539	\$ 80		\$ 64,323	\$ 1,957	\$ 69,899
Comprehensive income						
Net income			\$ 2,607	2,607		2,607
Other comprehensive loss, net of tax Unrealized loss on securities			(463)		(463)	(463)
Comprehensive income			\$ 2,144			
Stock options exercised	17	241				258
Cash dividends				(854)		(854)
March 31, 2005	\$ 3,556	\$ 321		\$ 66,076	\$ 1,494	\$ 71,447

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

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(In thousands)

	Three Months Ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 2,526	\$ 2,607
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	466	338
Amortization of intangible assets		33
Provision for loan losses	1,275	1,089
Accretion of discounts and amortization of premiums on investment securities, net	8	10
Net realized gain on securities	(31)	
Proceeds from sale of loans	208,499	198,959
Origination of loans held for sale	(214,292)	(202,964)
Change in other assets and liabilities:		
Accrued interest receivable	(151)	(60)
Other assets	(1,125)	701
Accrued interest payable	74	329