

CENTRAL VALLEY COMMUNITY BANCORP
Form 10-Q
May 11, 2012
Table of Contents

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, 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—31977

CENTRAL VALLEY COMMUNITY BANCORP
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

77-0539125
(I.R.S. Employer Identification No.)

7100 N. Financial Dr, Suite 101, Fresno, California
(Address of principal executive offices)

93,720
(Zip code)

Registrant's telephone number (559) 298-1775

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 past 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(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

As of April 30, 2012 there were 9,592,166 shares of the registrant's common stock outstanding.

Table of Contents

CENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY

2012 QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

<u>PART 1</u>	<u>FINANCIAL INFORMATION</u>	<u>2</u>
<u>ITEM 1</u>	<u>FINANCIAL STATEMENTS</u>	<u>2</u>
<u>ITEM 2</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>30</u>
<u>ITEM 4</u>	<u>CONTROLS AND PROCEDURES</u>	<u>50</u>
<u>PART II</u>	<u>OTHER INFORMATION</u>	<u>51</u>
<u>ITEM 1</u>	<u>LEGAL PROCEEDINGS</u>	<u>51</u>
<u>ITEM 1A</u>	<u>RISK FACTORS</u>	<u>51</u>
<u>ITEM 2</u>	<u>CHANGES IN SECURITIES AND USE OF PROCEEDS</u>	<u>51</u>
<u>ITEM 3</u>	<u>DEFAULTS UPON SENIOR SECURITIES</u>	<u>51</u>
<u>ITEM 4</u>	<u>MINE SAFETY DISCLOSURES</u>	<u>51</u>
<u>ITEM 5</u>	<u>OTHER INFORMATION</u>	<u>51</u>
<u>ITEM 6</u>	<u>EXHIBITS</u>	<u>51</u>
<u>SIGNATURES</u>		<u>52</u>

PART 1: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Table of ContentsCENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and due from banks	\$20,496	\$19,409
Interest-earning deposits in other banks	30,929	24,467
Federal funds sold	475	928
Total cash and cash equivalents	51,900	44,804
Available-for-sale investment securities (Amortized cost of \$314,497 at March 31, 2012 and \$321,405 at December 31, 2011)	323,748	328,413
Loans, less allowance for credit losses of \$10,285 at March 31, 2012 and \$11,396 at December 31, 2011	398,063	415,999
Bank premises and equipment, net	6,272	5,872
Other real estate owned	2,253	—
Bank owned life insurance	11,897	11,655
Federal Home Loan Bank stock	2,893	2,893
Goodwill	23,577	23,577
Core deposit intangibles	733	783
Accrued interest receivable and other assets	13,348	15,027
Total assets	\$834,684	\$849,023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$205,825	\$208,025
Interest bearing	497,571	504,961
Total deposits	703,396	712,986
Short-term borrowings	4,000	—
Long-term debt	—	4,000
Junior subordinated deferrable interest debentures	5,155	5,155
Accrued interest payable and other liabilities	11,401	19,400
Total liabilities	723,952	741,541
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Preferred stock, no par value, \$1,000 per share liquidation preference; 10,000,000 shares authorized, Series C, issued and outstanding: 7,000 shares at March 31, 2012 and December 31, 2011	7,000	7,000
Common stock, no par value; 80,000,000 shares authorized; issued and outstanding: 9,591,316 at March 31, 2012 and 9,547,816 at December 31, 2011	40,857	40,552
Retained earnings	57,431	55,806
Accumulated other comprehensive income, net of tax	5,444	4,124
Total shareholders' equity	110,732	107,482
Total liabilities and shareholders' equity	\$834,684	\$849,023

See notes to unaudited consolidated financial statements.

Table of ContentsCENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except share and per share amounts)	For the Three Months Ended March 31,		
	2012	2011	
INTEREST INCOME:			
Interest and fees on loans	\$6,084	\$6,462	
Interest on deposits in other banks	18	50	
Interest on Federal funds sold	—	1	
Interest and dividends on investment securities:			
Taxable	1,073	1,097	
Exempt from Federal income taxes	1,037	800	
Total interest income	8,212	8,410	
INTEREST EXPENSE:			
Interest on deposits	481	717	
Interest on junior subordinated deferrable interest debentures	29	25	
Other	36	70	
Total interest expense	546	812	
Net interest income before provision for credit losses	7,666	7,598	
PROVISION FOR CREDIT LOSSES	400	100	
Net interest income after provision for credit losses	7,266	7,498	
NON-INTEREST INCOME:			
Service charges	689	699	
Appreciation in cash surrender value of bank owned life insurance	94	97	
Loan placement fees	128	57	
(Loss) gain on disposal of other real estate owned	(2	) 545
Net realized gains (losses) on sale and calls of investment securities	347	(16)
Other-than-temporary impairment loss:			
Total impairment loss	—	(31)
Loss recognized in other comprehensive income	—	—	
Net impairment loss recognized in earnings	—	(31)
Federal Home Loan Bank dividends	4	2	
Other income	398	395	
Total non-interest income	1,658	1,748	
NON-INTEREST EXPENSES:			
Salaries and employee benefits	4,129	4,078	
Occupancy and equipment	881	934	
Regulatory assessments	156	289	
Data processing expense	294	276	
Advertising	140	184	
Audit and accounting fees	128	112	
Legal fees	28	93	
Other real estate owned, net	63	9	
Amortization of core deposit intangibles	50	104	
Other expense	1,049	1,074	
Total non-interest expenses	6,918	7,153	

Edgar Filing: CENTRAL VALLEY COMMUNITY BANCORP - Form 10-Q

Income before provision for income taxes	2,006	2,093
Provision for income taxes	293	505
Net income	\$1,713	\$1,588
Net income	\$1,713	\$1,588
Preferred stock dividends and accretion	88	99
Net income available to common shareholders	\$1,625	\$1,489
Net income per common share:		
Basic earnings per share	\$0.17	\$0.16
Weighted average common shares used in basic computation	9,570,297	9,475,444
Diluted earnings per share	\$0.17	\$0.16
Weighted average common shares used in diluted computation	9,577,432	9,503,313

See notes to unaudited consolidated financial statements.

Table of ContentsCENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	For the Three Months Ended March 31,		
	2012	2011	
Net income	\$1,713	\$1,588	
Other Comprehensive Income:			
Unrealized gains on securities:			
Unrealized holdings gains	2,590	108	
Less: reclassification for net (gains) losses included in net income,	(347	) 47
Other comprehensive income, before tax	2,243	155	
Tax expense related to items of other comprehensive income	(923) (64)
Total other comprehensive income	1,320	91	
Comprehensive income	\$3,033	\$1,679	

See notes to unaudited consolidated financial statements.

Table of ContentsCENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	For the Three Months Ended March 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$1,713	\$1,588
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Net increase in deferred loan fees	40	135
Depreciation	259	309
Accretion	(172	) (186
Amortization	1,635	710
Stock-based compensation	50	50
Tax benefit from exercise of stock options	(20	) (81
Provision for credit losses	400	100
Net other than temporary impairment losses on investment securities	—	31
Net realized (gains) losses on sales and calls of available-for-sale investment securities	(347	) 16
Net loss (gain) on sale of other real estate owned	2	(545
Increase in bank owned life insurance, net of expenses	(94	) (97
Net decrease (increase) in accrued interest receivable and other assets	304	(698
Net decrease in prepaid FDIC Assessments	121	252
Net (decrease) increase in accrued interest payable and other liabilities	(7,999	) 3,096
Provision for (benefit from) deferred income taxes	350	(9
Net cash (used in) provided by operating activities	(3,758	) 4,671
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale investment securities	(16,405	) (25,383
Proceeds from sales or calls of available-for-sale investment securities	4,392	594
Proceeds from maturity and principal repayments of available-for-sale investment securities	17,855	8,398
Net decrease in loans	15,159	9,230
Proceeds from sale of other real estate owned	82	1,876
Purchases of premises and equipment	(659	) (57
Purchases of bank owned life insurance	(147) —
Net cash provided by (used in) investing activities	20,277	(5,342
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in demand, interest bearing and savings deposits	(8,087	) (1,339
Net decrease in time deposits	(1,503	) (4,979