

Village Bank & Trust Financial Corp.  
Form 10-Q  
May 15, 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 March 31, 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**

(Address of principal executive offices)

**23113**

(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  Accelerated Filer

Non-Accelerated Filer

(Do not check if 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

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

1,403,647 shares of common stock, \$4.00 par value, outstanding as of May 15, 2015



**Village Bank and Trust Financial Corp.**

**Form 10-Q**

**TABLE OF CONTENTS**

Part I – Financial Information

**Item 1. Financial Statements**

Consolidated Balance Sheets March 31, 2015 (unaudited) and December 31, 2014 3

Consolidated Statements of Operations For the Three Months Ended March 31, 2015 and 2014 (unaudited) 4

Consolidated Statements of Changes in Comprehensive Income For the Three Months Ended March 31, 2015 and 2014 (unaudited) 5

Consolidated Statements of Shareholders' Equity For the Three Months Ended March 31, 2015 and 2014 (unaudited) 6

Consolidated Statements of Cash Flows For the Three Months Ended March 31, 2015 and 2014 (unaudited) 7

Notes to Consolidated Financial Statements (unaudited) 8

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** 36

**Item 3. Quantitative and Qualitative Disclosures About Market Risk** 57

**Item 4. Controls and Procedures** 57

Part II – Other Information

**Item 1. Legal Proceedings** 58

**Item 1A. Risk Factors** 58

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds** 58

**Item 3. Defaults Upon Senior Securities** 58

**Item 4. Mine Safety Disclosures** 58

**Item 5. Other Information** 58

**Item 6. Exhibits**

59

**Signatures**

60

2

## Part I – Financial Information

**ITEM 1 – FINANCIAL STATEMENTS****Village Bank and Trust Financial Corp. and Subsidiary  
Consolidated Balance Sheets****March 31, 2015 (Unaudited) and December 31, 2014***(dollars in thousands, except per share data)*

	March 31, 2015	December 31, 2014
<b>Assets</b>		
Cash and due from banks	\$ 12,019	\$ 25,115
Federal funds sold	38,672	23,988
Total cash and cash equivalents	50,691	49,103
Investment securities available for sale	36,723	39,542
Loans held for sale	16,224	9,914
Loans		
Outstandings	287,398	286,146
Allowance for loan losses	(5,844 )	(5,729 )
Deferred fees and costs	934	722
	282,488	281,139
Other real estate owned, net of valuation allowance	11,472	12,638
Asset held for sale	13,507	13,502
Premises and equipment, net	14,888	14,301
Bank owned life insurance	6,995	6,947
Accrued interest receivable	1,424	1,372
Other assets	5,316	5,546
	\$ 439,728	\$ 434,004
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Noninterest bearing demand	\$ 74,001	\$ 77,496
Interest bearing	302,831	301,364
Total deposits	376,832	378,860
Federal Home Loan Bank advances	13,000	14,000
Long-term debt - trust preferred securities	8,764	8,764
Other borrowings	2,557	3,302
Accrued interest payable	1,220	1,167
Other liabilities	7,100	8,853
Total liabilities	409,473	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 March 31, 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 March 31, 2015 350,622 shares issued and outstanding at December 31, 2014	5,553	1,339	
Additional paid-in capital	58,325	58,188	
Retained earnings (deficit)	(34,088 )	(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	(290 )	(721 )	)
Total shareholders' equity	30,255	19,058	
	\$ 439,728	\$ 434,004	

*See accompanying notes to consolidated financial statements.*

**Village Bank and Trust Financial Corp. and Subsidiary**  
**Consolidated Statements of Operations**  
**Three Months Ended March 2015 and 2014**  
*(dollars in thousands, except per share data)*

	2015	2014
Interest income		
Loans	\$3,624	\$3,971
Investment securities	155	332
Federal funds sold	18	19
Total interest income	3,797	4,322
Interest expense		
Deposits	636	786
Borrowed funds	122	162
Total interest expense	758	948
Net interest income	3,039	3,374
Provision for loan losses	-	100
Net interest income after provision for loan losses	3,039	3,274
Noninterest income		
Service charges and fees	592	483
Gain on sale of loans	1,229	811
Gain on sale of investment securities	7	-
Rental income	239	257
Other	103	123
Total noninterest income	2,170	1,674
Noninterest expense		
Salaries and benefits	2,668	2,770
Commissions	292	222
Occupancy	478	483
Equipment	187	206
Supplies	70	88
Professional and outside services	647	639
Advertising and marketing	72	83
Expenses related to foreclosed real estate	132	283
Other operating expense	668	831
Total noninterest expense	5,214	5,605
Net loss	(5 )	(657 )
Preferred stock dividends and amortization of discount	(163 )	(314 )
Preferred stock principal forgiveness	4,404	-
Preferred stock dividend forgiveness	2,215	-



Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Net income (loss) available to common shareholders	\$6,451	\$(971 )
Earnings (loss) per share, basic	\$15.77	\$(2.91 )
Earnings (loss) per share, diluted	\$15.40	\$(2.91 )

*See accompanying notes to consolidated financial statements.*

**Village Bank and Trust Financial Corp. and Subsidiary**  
**Consolidated Statements of Changes in Comprehensive Income**  
**Three Months Ended March 31, 2015 and 2014**  
**(Unaudited)**  
*(dollars in thousands)*

	2015	2014
Net loss	\$(5 )	\$(657 )
Other comprehensive income (loss)		
Unrealized holding gains (losses) arising during the period	658	1,826
Tax effect	224	621
Net change in unrealized holding gains (losses) on securities available for sale, net of tax	434	1,205
Reclassification adjustment		
Reclassification adjustment for gains realized in income	(7 )	-
Tax effect	(2 )	-
Reclassification for gains included in net income, net of tax	(5 )	-
Minimum pension adjustment	3	3
Tax effect	1	1
Minimum pension adjustment, net of tax	2	2
Total other comprehensive income	431	1,207
Total comprehensive income	\$426	\$550

*See accompanying notes to consolidated financial statements.*

**Village Bank and Trust Financial Corp. and Subsidiary**  
**Consolidated Statements of Shareholders' Equity**  
**Three Months Ended March 31, 2015 and 2014**  
**(dollar amounts in thousands) (Unaudited)**

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Warrant	Discount on Preferred Stock	Stock in Directors Rabbi Trust	Directors Deferred Fees Obligation	Accumulated Other Loss	Total
Balance, December 31, 2014	\$ 59	\$ 1,339	\$ 58,188	\$(40,539 )	\$ 732	\$ -	\$(878 )	\$ 878	\$(721 )	\$ 19,058
Preferred stock dividend	-	-	-	(163 )	-	-	-	-	-	(163 )
Restricted stock issuance	-	7	(85 )	-	-	-	(156 )	156	-	(78 )
Issuance of common stock, net of offering expense of \$1,200	-	2,875	5,842	-	-	-	-	-	-	8,717
Preferred stock exchanged for common stock	(18 )	1,332	(1,314 )	-	-	-	-	-	-	-
Preferred stock principal forgiveness	(18 )	-	(4,386 )	4,404	-	-	-	-	-	-
Preferred stock dividend forgiveness	-	-	-	2,215	-	-	-	-	-	2,215
Stock based compensation	-	-	80	-	-	-	-	-	-	80
Minimum pension adjustment (net of income taxes of \$1)	-	-	-	-	-	-	-	-	2	2
Net loss	-	-	-	(5 )	-	-	-	-	-	(5 )
Change in unrealized gain (loss) on investment securities available-for-sale, net of reclassification and tax effect	-	-	-	-	-	-	-	-	429	429

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Balance, March 31, 2015	\$ 23	\$ 5,553	\$ 58,325	\$(34,088 )	\$ 732	\$ -	\$(1,034 )	\$ 1,034	\$(290 )	\$ 30,255
Balance, December 31, 2013	\$ 59	\$ 21,353	\$ 38,054	\$(38,066 )	\$ 732	\$(50 )	\$(878 )	\$ 878	\$(3,838 )	\$ 18,244
Amortization of preferred stock discount	-	-	-	(37 )	-	37	-	-	-	-
Preferred stock dividend	-	-	-	(277 )	-	-	-	-	-	(277 )
Stock based compensation	-	-	10	-	-	-	-	-	-	10
Minimum pension adjustment (net of income taxes of \$1)	-	-	-	-	-	-	-	-	2	2
Net loss	-	-	-	(657 )	-	-	-	-	-	(657 )
Change in unrealized gain (loss) on investment securities available-for-sale, net of reclassification and tax effect	-	-	-	-	-	-	-	-	1,205	1,205
Balance, March 31, 2014	\$ 59	\$ 21,353	\$ 38,064	\$(39,037 )	\$ 732	\$(13 )	\$(878 )	\$ 878	\$(2,631 )	\$ 18,527

See accompanying notes to consolidated financial statements.

**Village Bank and Trust Financial Corp. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2015 and 2014**  
**(Unaudited)**  
**(dollars in thousands)**

	2015	2014
<b>Cash Flows from Operating Activities</b>		
Net loss	\$(5 )	\$(657 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	214	171
Deferred income taxes	(15 )	(310 )
Valuation allowance deferred income taxes	15	267
Provision for loan losses	-	100
Write-down of other real estate owned	80	135
Valuation allowance other real estate owned	(14 )	(134 )
(Gain) Loss on securities sold	(7 )	-
Gain on loans sold	(1,229 )	(811 )
Gain on sale of premises and equipment	-	(3 )
(Gain) Loss on sale of other real estate owned	(67 )	(37 )
Stock compensation expense	80	10
Proceeds from sale of mortgage loans	43,727	29,989
Origination of mortgage loans for sale	(48,808)	(30,793)
Amortization of premiums and accretion of discounts on securities, net	71	108
Decrease (increase) in interest receivable	(52 )	146
Increase in bank owned life insurance	(48 )	(48 )
Increase in other assets	(273 )	(284 )
Increase in interest payable	53	159
Increase in other liabilities	252	639
Net cash used in operating activities	(6,026 )	(1,353 )
<b>Cash Flows from Investing Activities</b>		
Purchases of available for sale securities	(3,206 )	-
Proceeds from the sale or calls of available for sale securities	6,611	127
Net decrease (increase) in loans	(1,336 )	11,001
Proceeds from sale of other real estate owned	1,154	2,448
Purchases of premises and equipment	(801 )	(714 )
Proceeds from sale of premises and equipment	-	17
Net cash provided by investing activities	2,422	12,879
<b>Cash Flows from Financing Activities</b>		
Net proceeds from sale of common stock, net of expenses of \$990	8,965	-
Net increase (decrease) in deposits	(2,028 )	5,589
Net decrease in Federal Home Loan Bank Advances	(1,000 )	(1,000 )
Net increase (decrease) in other borrowings	(745 )	190
Net cash provided by financing activities	5,192	4,779

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Net increase in cash and cash equivalents	1,588	16,305
Cash and cash equivalents, beginning of period	49,103	40,209
Cash and cash equivalents, end of period	\$50,691	\$56,514
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for interest	\$705	\$789
<b>Supplemental Schedule of Non Cash Activities</b>		
Real estate owned assets acquired in settlement of loans	\$-	\$1,358
Dividends on preferred stock accrued	\$163	\$277
Non-Cash conversion of preferred shares	\$4,619	\$-
Forgiveness of principal and accrued dividends	\$6,619	\$-

*See accompanying notes to consolidated financial statements.*

**Village Bank and Trust Financial Corp. and Subsidiary**

**Notes to Consolidated Financial Statements**

**Three Months Ended March 31, 2015 and 2014**

**(Unaudited)**

**Note 1 - Principles of presentation**

Village Bank and Trust Financial Corp. (the “Company”) is the holding company of Village Bank (the “Bank”). The consolidated financial statements include the accounts of the Company, the Bank and the Bank’s subsidiary. All material intercompany balances and transactions have been eliminated in consolidation.

On August 6, 2014, the Company filed Articles of Amendment to its Articles of Incorporation with the Virginia State Corporation Commission to effect a reverse stock split of its outstanding common stock which became effective on August 8, 2014. As a result of the reverse split, every sixteen shares of the Company’s issued and outstanding common stock were consolidated into one issued and outstanding share of common stock. The computations of basic and diluted earnings (loss) per share have been adjusted retroactively to reflect the reverse stock split.

In the opinion of management, the accompanying condensed consolidated financial statements of the Company have been prepared on the accrual basis in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, all adjustments that are, in the opinion of management, necessary for a fair presentation have been included. The results of operations for the three month period ended March 31, 2015 is not necessarily indicative of the results to be expected for the full year ending December 31, 2015. The unaudited interim financial statements should be read in conjunction with the audited financial statements and notes to financial statements that are presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission (“SEC”).

The Company has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of March 31, 2015 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

Note 2 - Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheets and statements of operations for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change include the determination of the allowance for loan losses and its related provision, the valuation allowance on the deferred tax asset, and the estimate of the fair value of assets held for sale.



## Note 3 - Earnings (loss) per common share

The following table presents the basic and diluted earnings (loss) per common share computation (in thousands, except per share data):

	Three Months Ended March 31,	
	2015	2014
<b>Numerator</b>		
Net loss - basic and diluted	\$ (5 )	\$ (657 )
Preferred stock dividend and accretion	(163 )	(314 )
Preferred stock principal forgiveness	4,404	-
Preferred stock dividend forgiveness	2,215	-
Net income (loss) available to common shareholders	\$ 6,451	\$ (971 )
<b>Denominator</b>		
Weighted average shares outstanding - basic	409	334
Dilutive effect of common stock options and restricted stock awards	10	-
Weighted average shares outstanding - diluted	419	334
Earnings (loss) per share - basic	\$ 15.77	\$ (2.91 )
Earnings (loss) per share - diluted	\$ 15.40	\$ (2.91 )

Outstanding options and warrants to purchase common stock were considered in the computation of diluted earnings (loss) per share for the periods presented. Stock options for 6,485 and 5,104 were not included in computing diluted earnings (loss) per share for the three months ended March 31, 2015 and 2014, respectively, because their effects were anti-dilutive. Warrants for 31,190 shares of common stock were not included in computing earnings (loss) per share in 2015 and 2014 because their effects were also anti-dilutive.

## Note 4 – Investment securities available for sale

At March 31, 2015 and December 31, 2014, all of our securities were classified as available-for-sale. The following table presents the composition of our investment portfolio at the dates indicated (dollars in thousands):

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

	Par Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Average Yield	
<b>March 31, 2015</b>							
US Government Agencies							
One to five years	\$ 10,000	\$ 10,206	\$ -	\$ (71 )	\$ 10,135	1.27	%
Five to ten years	20,500	21,970	-	(244 )	21,726	2.29	%
More than ten years	997	999	-	-	999	0.55	%
	31,497	33,175	-	(315 )	32,860	1.73	%
Mortgage-backed securities							
One to five years	2,128	2,189	-	(4 )	2,185	1.31	%
More than ten years	412	422	1	-	423	0.25	%
	2,540	2,611	1	(4 )	2,608	1.14	%
Municipals							
More than ten years	1,130	1,262	7	(14 )	1,255	4.15	%
	1,130	1,262	7	(14 )	1,255	4.15	%
Total investment securities	\$ 35,167	\$ 37,048	\$ 8	\$ (333 )	\$ 36,723	1.77	%

**December 31, 2014**

US Government Agencies							
One to Five years	\$ 10,000	\$ 10,324	\$ -	\$ (225 )	\$ 10,099	1.10	%
Five to ten years	22,500	23,895	-	(647 )	23,248	1.98	%
	32,500	34,219	-	(872 )	33,347	1.71	%
Mortgage-backed securities							
More than ten years	471	484	2	(2 )	484	0.31	%
Municipals							
Five to ten years	1,000	1,131	-	(20 )	1,111	2.50	%
More than ten years	4,130	4,684	2	(86 )	4,600	2.89	%
	5,130	5,815	2	(106 )	5,711	2.82	%
Total investment securities	\$ 38,101	\$ 40,518	\$ 4	\$ (980 )	\$ 39,542	1.85	%

Investment securities available for sale that have an unrealized loss position at March 31, 2015 and December 31, 2014 are detailed below (in thousands):

	Securities in a loss position for less than 12 Months		Securities in a loss position for more than 12 Months		Total Fair Value	Unrealized Losses	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses			
<b>March 31, 2015</b>							
US Government Agencies	15,542	(175 )	16,318	(140 )	31,860	(315 )	
Municipals	1,085	(3 )	306	(1 )	1,391	(4 )	
Mortgage-backed securities	-	-	525	(14 )	525	(14 )	

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

\$ 16,627    \$ (178    ) \$ 17,149    \$ (155    ) \$33,776    \$ (333    )

**December 31, 2014**

US Government Agencies	\$ -	\$ -	\$ 33,347	\$ (872    )	\$33,347	\$ (872    )
Municipals	-	-	5,497	(106    )	5,497	(106    )
Mortgage-backed securities	-	-	363	(2    )	363	(2    )
	\$ -	\$ -	\$ 39,207	\$ (980    )	\$39,207	\$ (980    )

Management does not believe that any individual unrealized loss as of March 31, 2015 and December 31, 2014 is other than a temporary impairment. These unrealized losses are primarily attributable to changes in interest rates. As of March 31, 2015, management does not have the intent to sell any of the securities classified as available for sale and management believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. Approximately \$20 million of these securities are pledged against current and potential fundings.

#### Note 5 – Loans and allowance for loan losses

The following table presents the composition of our loan portfolio (excluding mortgage loans held for sale) at the dates indicated (dollars in thousands):

	March 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Construction and land development				
Residential	\$7,189	2.5 %	\$4,315	1.5 %
Commercial	22,706	7.9 %	25,152	8.8 %
	29,895	10.4 %	29,467	10.3 %
Commercial real estate				
Owner occupied	64,305	22.4 %	58,804	20.6 %
Non-owner occupied	38,340	13.3 %	38,892	13.6 %
Multifamily	9,204	3.2 %	11,438	4.0 %
Farmland	408	0.1 %	434	0.2 %
	112,257	39.1 %	109,568	38.3 %
Consumer real estate				
Home equity lines	19,011	6.6 %	20,082	7.0 %
Secured by 1-4 family residential,				
First deed of trust	61,819	21.5 %	61,837	21.6 %
Second deed of trust	8,077	2.8 %	7,854	2.7 %
	88,907	30.9 %	89,773	31.4 %
Commercial and industrial loans (except those secured by real estate)	21,764	7.6 %	22,165	7.7 %
Guaranteed Student loans	33,004	11.5 %	33,562	11.7 %
Consumer and other	1,571	0.5 %	1,611	0.6 %
Total loans	287,398	100.0 %	286,146	100.0 %
Deferred loan cost, net	934		722	
Less: allowance for loan losses	(5,844 )		(5,729 )	
	\$282,488		\$281,139	

The Company assigns risk rating classifications to its loans. These risk ratings are divided into the following groups:

Risk rated 1 to 4 loans are considered of sufficient quality to preclude an adverse rating. These assets generally are well protected by the current net worth and paying capacity of the obligor or by the value of the asset or underlying collateral;

- Risk rated 5 loans are defined as having potential weaknesses that deserve management's close attention;

Risk rated 6 loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any;

Risk rated 7 loans have all the weaknesses inherent in substandard loans, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable; and

Loans rated 6 or 7 are considered “Classified” loans for regulatory classification purposes.

The following tables provide information on the risk rating of loans at the dates indicated (in thousands):

	Risk Rated 1-4	Risk Rated 5	Risk Rated 6	Risk Rated 7	Total Loans
<b>March 31, 2015</b>					
Construction and land development					
Residential	\$ 6,943	\$ -	\$ 246	\$ -	\$7,189
Commercial	19,137	1,842	1,727	-	22,706
	26,080	1,842	1,973	-	29,895
Commercial real estate					
Owner occupied	54,252	5,787	4,266	-	64,305
Non-owner occupied	35,928	1,674	738	-	38,340
Multifamily	8,996	208	-	-	9,204
Farmland	408	-	-	-	408
	99,584	7,669	5,004	-	112,257
Consumer real estate					
Home equity lines	17,034	327	1,650	-	19,011
Secured by 1-4 family residential					
First deed of trust	53,039	4,129	4,651	-	61,819
Second deed of trust	6,637	387	1,053	-	8,077
	76,710	4,843	7,354	-	88,907
Commercial and industrial loans (except those secured by real estate)	19,181	2,021	562	-	21,764
Guaranteed Student loans	33,004	-	-	-	33,004
Consumer and other	1,462	71	38	-	1,571
Total loans	\$ 223,017	\$ 16,446	\$ 14,931	\$ -	\$287,398
<b>December 31, 2014</b>					
Construction and land development					
Residential	\$ 3,946	\$ 205	\$ 164	\$ -	\$4,315
Commercial	20,641	1,622	2,889	-	25,152
	24,587	1,827	3,053	-	29,467
Commercial real estate					
Owner occupied	47,175	5,234	6,395	-	58,804
Non-owner occupied	36,439	1,811	642	-	38,892
Multifamily	10,703	735	-	-	11,438
Farmland	413	-	21	-	434
	94,730	7,780	7,058	-	109,568

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Consumer real estate					
Home equity lines	18,107	465	1,510	-	20,082
Secured by 1-4 family residential					
First deed of trust	52,513	4,763	4,561	-	61,837
Second deed of trust	6,456	434	964	-	7,854
	77,076	5,662	7,035	-	89,773
Commercial and industrial loans (except those secured by real estate)	19,026	2,297	390	452	22,165
Guaranteed Student loans	33,562	-	-	-	33,562
Consumer and other	1,488	74	49	-	1,611
Total loans	\$ 250,469	\$ 17,640	\$ 17,585	\$ 452	\$ 286,146

12

The following table presents the aging of the recorded investment in past due loans and leases as of the dates indicated (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Investment > 90 Days and Accruing
<b>March 31, 2015</b>							
Construction and land development							
Residential	\$ -	\$ -	\$ -	\$ -	\$7,189	\$7,189	\$ -
Commercial	103	-	-	103	22,603	22,706	-
	103	-	-	103	29,792	29,895	-
Commercial real estate							
Owner occupied	-	-	-	-	64,305	64,305	-
Non-owner occupied	-	-	-	-	38,340	38,340	-
Multifamily	-	-	-	-	9,204	9,204	-
Farmland	-	-	-	-	408	408	-
	-	-	-	-	112,257	112,257	-
Consumer real estate							
Home equity lines	8	30	-	38	18,973	19,011	-
Secured by 1-4 family residential							
First deed of trust	535	67	13	615	61,204	61,819	13
Second deed of trust	-	-	-	-	8,077	8,077	-
	543	97	13	653	88,254	88,907	13
Commercial and industrial loans (except those secured by real estate)	131	-	-	131	21,633	21,764	-
Student loans	896	6,805	985	8,686	24,318	33,004	985
Consumer and other	-	-	-	-	1,571	1,571	-
<b>Total loans</b>	<b>\$ 1,673</b>	<b>\$ 6,902</b>	<b>\$ 998</b>	<b>\$ 9,573</b>	<b>\$277,825</b>	<b>\$287,398</b>	<b>\$ 998</b>
<b>December 31, 2014</b>							
Construction and land development							
Residential	\$ -	\$ -	\$ -	\$ -	\$4,315	\$4,315	\$ -
Commercial	92	391	-	483	24,669	25,152	-
	92	391	-	483	28,984	29,467	-
Commercial real estate							
Owner occupied	715	-	-	715	58,089	58,804	-
Non-owner occupied	-	-	-	-	38,892	38,892	-
Multifamily	-	-	-	-	11,438	11,438	-
Farmland	-	-	-	-	434	434	-
	715	-	-	715	108,853	109,568	-
Consumer real estate							
Home equity lines	31	139	-	170	19,912	20,082	-



Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Secured by 1-4 family residential							
First deed of trust	-	153	-	153	61,684	61,837	-
Second deed of trust	56	-	-	56	7,798	7,854	-
	87	292	-	379	89,394	89,773	-
Commercial and industrial loans (except those secured by real estate)	-	47	-	47	22,118	22,165	-
Student loans	671	392	720	1,783	31,779	33,562	720
Consumer and other	-	8	-	8	1,603	1,611	-
Total loans	\$ 1,565	\$ 1,130	\$ 720	\$ 3,415	\$282,731	\$286,146	\$ 720

Loans are considered impaired when, based on current information and events it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Loans evaluated individually for impairment include non-performing loans, such as loans on non-accrual, loans past due by 90 days or more, restructured loans and other loans selected by management. The evaluations are based upon discounted expected cash flows or collateral valuations. If the evaluation shows that a loan is individually impaired, then a specific reserve is established for the amount of impairment. Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible. Impaired loans are set forth in the following table as of the dates indicated (in thousands):

	March 31, 2015		
	Recorded	Unpaid Principal	Related
	Investment	Balance	Allowance
<b>With no related allowance recorded</b>			
Construction and land development			
Residential	\$246	\$246	\$ -
Commercial	2,951	2,951	-
	3,197	3,197	-
Commercial real estate			
Owner occupied	1,677	1,677	-
Non-owner occupied	6,548	6,548	-
Multifamily	-	-	-
Farmland	-	-	-
	8,225	8,225	-
Consumer real estate			
Home equity lines	800	800	-
Secured by 1-4 family residential			
First deed of trust	6,470	6,474	-
Second deed of trust	1,290	1,560	-
	8,560	8,834	-
Commercial and industrial loans (except those secured by real estate)	118	186	-
Consumer and other	15	15	-
	20,115	20,457	-
<b>With an allowance recorded</b>			
Construction and land development			
Commercial	788	788	88
Commercial real estate			
Owner occupied	6,588	6,603	738
Non-Owner occupied	101	101	-
	6,689	6,704	738
Consumer real estate			
Secured by 1-4 family residential			
First deed of trust	741	741	191
Second deed of trust	253	253	139
	994	994	330
Commercial and industrial loans (except those secured by real estate)	581	683	34
	9,052	9,169	1,190
<b>Total</b>			
Construction and land development			
Residential	246	246	-
Commercial	3,739	3,739	88
	3,985	3,985	88
Commercial real estate			
Owner occupied	8,265	8,280	738
Non-owner occupied	6,649	6,649	-

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Multifamily	-	-	-
Farmland	-	-	-
	14,914	14,929	738
Consumer real estate			
Home equity lines	800	800	-
Secured by 1-4 family residential,			
First deed of trust	7,211	7,215	191
Second deed of trust	1,543	1,813	139
	9,554	9,828	330
Commercial and industrial loans (except those secured by real estate)	699	869	34
Consumer and other	15	15	-
	\$29,167	\$29,626	\$ 1,190

	December 31, 2014		
	Recorded	Unpaid Principal	Related
	Investment	Balance	Allowance
<b>With no related allowance recorded</b>			
Construction and land development			
Residential	\$ 164	\$ 164	\$ -
Commercial	3,379	3,379	-
	3,543	3,543	-
Commercial real estate			
Owner occupied	1,686	1,686	-
Non-owner occupied	6,593	6,593	-
Multifamily	2,322	2,322	-
Farmland	21	450	-
	10,622	11,051	-
Consumer real estate			
Home equity lines	800	800	-
Secured by 1-4 family residential			
First deed of trust	6,485	6,493	-
Second deed of trust	1,103	1,373	-
	8,388	8,666	-
Commercial and industrial loans (except those secured by real estate)	263	365	-
Consumer and other	23	36	-
	22,839	23,661	-
<b>With an allowance recorded</b>			
Construction and land development			
Commercial	589	589	26
Commercial real estate			
Owner occupied	6,625	6,640	905
Non-Owner occupied	6,625	6,640	905
Consumer real estate			
Secured by 1-4 family residential			
First deed of trust	1,415	1,415	200
Second deed of trust	257	257	142
	1,672	1,672	342
Commercial and industrial loans (except those secured by real estate)	555	555	239
	9,441	9,456	1,512
<b>Total</b>			
Construction and land development			
Residential	164	164	-
Commercial	3,968	3,968	26
	4,132	4,132	26
Commercial real estate			
Owner occupied	8,311	8,326	905
Non-owner occupied	6,593	6,593	-

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

Multifamily	2,322	2,322	-
Farmland	21	450	-
	17,247	17,691	905
Consumer real estate			
Home equity lines	800	800	-
Secured by 1-4 family residential,			
First deed of trust	7,900	7,908	200
Second deed of trust	1,360	1,630	142
	10,060	10,338	342
Commercial and industrial loans (except those secured by real estate)	818	920	239
Consumer and other	23	36	-
	\$32,280	\$33,117	\$ 1,512

The following is a summary of average recorded investment in impaired loans with and without a valuation allowance and interest income recognized on those loans for the periods indicated (in thousands):

	For the Three Months Ended March 31,			
	2015		2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
<b>With no related allowance recorded</b>				
Construction and land development				
Residential	\$ 232	\$ 1	172	2
Commercial	2,967	39	4,133	56
	3,199	40	4,305	58
Commercial real estate				
Owner occupied	1,680	17	2,328	27
Non-owner occupied	6,563	87	11,402	133
Multifamily	968	6	2,366	35
Farmland	14	-	21	-
	9,224	110	16,117	195
Consumer real estate				
Home equity lines	800	4	1,644	14
Secured by 1-4 family residential				
First deed of trust	6,401	90	7,780	85
Second deed of trust	1,183	14	1,353	14
	8,384	108	10,777	113
Commercial and industrial loans (except those secured by real estate)	227	2	806	12
Consumer and other	19	-	33	1
	21,053	260	32,038	379
<b>With an allowance recorded</b>				
Construction and land development				
Commercial	587	4	609	8
Commercial real estate				
Owner occupied	6,597	66	9,874	146
Non-Owner occupied	102	1	1,299	-
	6,699	67	11,173	146
Consumer real estate				
Secured by 1-4 family residential				
First deed of trust	1,285	-	1,833	-
Second deed of trust	254	-	-	-
	1,539	-	1,833	-
Commercial and industrial loans (except those secured by real estate)	493	5	116	
	9,318	76	13,731	154

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

**Total**

Construction and land development				
Residential	232	1	172	2
Commercial	3,554	43	4,742	64
	3,785	44	4,914	66
Commercial real estate				
Owner occupied	8,277	83	12,202	173
Non-owner occupied	6,665	88	12,701	133
Multifamily	968	6	2,366	35
Farmland	14	-	21	-
	15,924	177	27,290	341
Consumer real estate				
Home equity lines	800	4	1,644	14
Secured by 1-4 family residential,				
First deed of trust	7,685	90	9,613	85
Second deed of trust	1,437	14	1,353	14
	9,922	108	12,610	113
Commercial and industrial loans (except those secured by real estate)	721	7	922	12
Consumer and other	19	-	33	1
	\$ 30,371	\$ 336	\$ 45,769	\$ 533

Included in impaired loans are loans classified as troubled debt restructurings (“TDRs”). A modification of a loan’s terms constitutes a TDR if the creditor grants a concession to the borrower for economic or legal reasons related to the borrower’s financial difficulties that it would not otherwise consider. For loans classified as impaired TDRs, the Company further evaluates the loans as performing or nonperforming. If, at the time of restructure, the loan is not considered nonaccrual, it will be classified as performing. TDRs originally classified as nonperforming are able to be reclassified as performing if, subsequent to restructure, they experience six months of payment performance according to the restructured terms. The following is a summary of performing and nonaccrual TDRs and the related specific valuation allowance by portfolio segment as of the dates indicated (dollars in thousands):

	Total	Performing	Nonaccrual	Valuation Allowance
<b>March 31, 2015</b>				
Construction and land development				
Residential	\$7	-	\$ 7	\$ -
Commercial	3,146	3,019	127	-
	3,153	3,019	134	-
Commercial real estate				
Owner occupied	6,283	5,560	723	132
Non-owner occupied	6,649	6,548	101	-
	12,932	12,108	824	132
Consumer real estate				
Secured by 1-4 family residential				
First deeds of trust	6,740	5,229	1,511	124
Second deeds of trust	756	653	103	-
	7,496	5,882	1,614	124
Commercial and industrial loans (except those secured by real estate)	136	-	136	22
Consumer and other	14	-	14	-
	\$23,731	\$ 21,009	\$ 2,722	\$ 278
Number of loans	99	69	30	10



	Total	Performing	Nonaccrual	Specific Valuation Allowance
<b>December 31, 2014</b>				
Construction and land development				
Residential	\$7	\$ -	\$ 7	\$ -
Commercial	3,895	3,751	144	17
	3,902	3,751	151	17
Commercial real estate				
Owner occupied	6,317	5,149	1,168	325
Non-owner occupied	6,593	6,593	-	-
Multifamily	2,322	2,322	-	-
	15,232	14,064	1,168	325
Consumer real estate				
Home equity lines	-	-	-	-
Secured by 1-4 family residential				
First deeds of trust	6,990	5,494	1,496	200
Second deeds of trust	762	658	104	5
	7,752	6,152	1,600	205
Commercial and industrial loans (except those secured by real estate)	239	-	239	12
Consumer and other	16	-	16	-
	\$27,141	\$ 23,967	\$ 3,174	\$ 559
Number of loans	107	77	30	21

The following table provides information about TDRs identified during the indicated periods (dollars in thousands):

	March 31, 2015		March 31, 2014	
	Pre-Modification Number of Loans Recorded	Post-Modification Recorded Balance	Pre-Modification Number of Loans Recorded	Post-Modification Recorded Balance
Construction and land development				
Commercial	-	\$ -	1	\$ 45
	-	-	1	45
Commercial real estate				
Owner occupied	-	-	1	411
	-	-	1	411
	-	\$ -	2	\$ 456

The following table summarizes defaults on TDRs identified for the indicated periods (dollars in thousands):

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Number of Loans	Recorded Balance	Number of Loans	Recorded Balance
Commercial real estate				
Owner occupied	1	\$ 406	1	\$ 470
Non-owner occupied	-	-	1	450
	1	406	2	920
Consumer real estate				
Secured by 1-4 family residential				
First deed of trust	1	121	3	604
Second deed of trust	-	-	1	18
Total consumer real estate	1	121	4	622
Commercial and industrial loans (except those secured by real estate)	-	-	1	136
Consumer and other	-	-	1	20
Total	2	\$ 527	8	\$ 1,698

Activity in the allowance for loan losses is as follows for the periods indicated (dollars in thousands):

	Beginning Balance	Provision for Loan Losses	Charge-offs	Recoveries	Ending Balance
<b>Three Months Ended March 31, 2015</b>					
Construction and land development					
Residential	\$ 34	\$ -	\$ -	\$ 1	\$ 35
Commercial	202	-	(115 )	1	88
	236	-	(115 )	2	123
Commercial real estate					
Owner occupied	1,836	-	-	-	1,836
Non-owner occupied	607	-	-	-	607
Multifamily	78	-	-	-	78
Farmland	130	-	-	-	130
	2,651	-	-	-	2,651
Consumer real estate					
Home equity lines	469	-	-	-	469
Secured by 1-4 family residential					
First deed of trust	1,345	-	-	358	1,703
Second deed of trust	275	-	-	9	284

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

	2,089	-	-	367	2,456
Commercial and industrial loans (except those secured by real estate)	506	-	(162 )	12	356
Student Loans	217	-	-	-	217
Consumer and other	30	-	(2 )	13	41
	\$ 5,729	\$ -	\$ (279 )	\$ 394	\$ 5,844

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

	Beginning Balance	Provision for Loan Losses	Charge-offs	Recoveries	Ending Balance
<b>Three Months Ended March 31, 2014</b>					
Construction and land development					
Residential	\$ 135	\$ 5	\$ -	\$ -	\$ 140
Commercial	1,274	(421 )	(22 )	18	849
	1,409	(416 )	(22 )	18	989
Commercial real estate					
Owner occupied	1,199	654	-	-	1,853
Non-owner occupied	670	(471 )	(199 )	-	-
Multifamily	20	(2 )	(1 )	-	17
Farmland	337	168	(96 )	-	409
	2,226	349	(296 )	-	2,279
Consumer real estate					
Home equity lines	424	223	(181 )	-	466
Secured by 1-4 family residential					
First deed of trust	1,992	(65 )	(185 )	13	1,755
Second deed of trust	394	12	(77 )	-	329
	2,810	170	(443 )	13	2,550
Commercial and industrial loans (except those secured by real estate)					
Commercial and industrial loans (except those secured by real estate)	724	45	(33 )	24	760
Consumer and other	70	(48 )	(2 )	2	22
	\$ 7,239	\$ 100	\$ (796 )	\$ 57	\$ 6,600

	Beginning Balance	Provision for Loan Losses	Charge-offs	Recoveries	Ending Balance
<b>Year Ended December 31, 2014</b>					
Construction and land development					
Residential	\$ 135	\$ (103 )	\$ -	\$ 2	\$ 34
Commercial	1,274	(1,016 )	(100 )	44	202
	1,409	(1,119 )	(100 )	46	236
Commercial real estate					
Owner occupied	1,199	1,268	(631 )	-	1,836
Non-owner occupied	670	430	(518 )	25	607
Multifamily	20	58	-	-	78
Farmland	337	(111 )	(96 )	-	130
	2,226	1,645	(1,245 )	25	2,651
Consumer real estate					
Home equity lines	424	506	(476 )	15	469
Secured by 1-4 family residential					

Edgar Filing: Village Bank & Trust Financial Corp. - Form 10-Q

First deed of trust	1,992	(442 )	(277 )	72	1,345
Second deed of trust	394	(223 )	(86 )	190	275
	2,810	(159 )	(839 )	277	2,089
Commercial and industrial loans (except those secured by real estate)	724	(447 )	(172 )	401	506
Student loans	-	217	-	-	217
Consumer and other	70	(37 )	(25 )	22	30
	\$ 7,239	\$ 100	\$ (2,381 )	\$ 771	\$ 5,729

Loans were evaluated for impairment as follows for the periods indicated (dollars in thousands):

	Recorded Investment in Loans Allowance				Loans			Loans aquired with deteriorated credit quaility
	Ending		Collectively	Loans aquired with deteriorated credit quaility	Ending		Collectively	
	Balance	Individually			Balance	Individually		
Period Ended March 31, 2015								
Construction and land development								
Residential	\$35	\$ -	\$ 35	\$ -	\$7,189	\$246	\$ 6,943	\$ -
Commercial	88	88	-	-	22,706	3,739	18,967	-
	123	88	35	-	29,895	3,985	25,910	-
Commercial real estate								
Owner occupied	1,836	738	1,098	-	64,305	8,265	56,040	-
Non-owner occupied	607	-	607	-	38,340			