

CENTRAL VALLEY COMMUNITY BANCORP
Form 10-Q
May 09, 2018
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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, 2018

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 77-0539125
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

7100 N. Financial Dr., Suite 101, Fresno, California 93720
(Address of principal executive offices) (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," "smaller reporting company," and "emerging growth 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)

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Small reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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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 May 4, 2018 there were 13,757,937 shares of the registrant's common stock outstanding.

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CENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY

2018 QUARTERLY REPORT ON FORM 10-Q

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PART 1: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

CENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share amounts)	March 31, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$26,092	\$ 38,286
Interest-earning deposits in other banks	16,016	62,080
Federal funds sold	115	17
Total cash and cash equivalents	42,223	100,383
Available-for-sale debt securities	537,389	535,281
Equity securities	7,296	7,423
Loans, less allowance for credit losses of \$8,788 at March 31, 2018 and \$8,778 at December 31, 2017	908,701	891,901
Bank premises and equipment, net	9,429	9,398
Bank-owned life insurance	27,978	27,807
Federal Home Loan Bank stock	6,843	6,843
Goodwill	53,777	53,777
Core deposit intangibles	2,934	3,027
Accrued interest receivable and other assets	26,427	25,815
Total assets	\$ 1,622,997	\$ 1,661,655
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$561,490	\$ 585,039
Interest bearing	829,420	840,648
Total deposits	1,390,910	1,425,687
Junior subordinated deferrable interest debentures	5,155	5,155
Accrued interest payable and other liabilities	18,989	21,254
Total liabilities	1,415,054	1,452,096
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, no par value, \$1,000 per share liquidation preference; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, no par value; 80,000,000 shares authorized; issued and outstanding: 13,752,037 at March 31, 2018 and 13,696,722 at December 31, 2017	103,980	103,314
Retained earnings	107,544	103,419
Accumulated other comprehensive income (loss), net of tax	(3,581)) 2,826
Total shareholders' equity	207,943	209,559
Total liabilities and shareholders' equity	\$ 1,622,997	\$ 1,661,655

See notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Quarter Ended March 31,	
	2018	2017
(In thousands, except share and per share amounts)		
INTEREST INCOME:		
Interest and fees on loans	\$ 12,006	\$ 10,090
Interest on deposits in other banks	98	75
Interest and dividends on investment securities:		
Taxable	2,559	1,303
Exempt from Federal income taxes	1,067	2,122
Total interest income	15,730	13,590
INTEREST EXPENSE:		
Interest on deposits	238	245
Interest on junior subordinated deferrable interest debentures	43	33
Other	23	4
Total interest expense	304	282
Net interest income before provision for credit losses	15,426	13,308
PROVISION FOR (REVERSAL OF) CREDIT LOSSES	—	(100)
Net interest income after provision for credit losses	15,426	13,408
NON-INTEREST INCOME:		
Service charges	755	747
Appreciation in cash surrender value of bank-owned life insurance	171	148
Interchange fees	345	324
Net realized gains on sales of investment securities	815	482
Federal Home Loan Bank dividends	121	128
Loan placement fees	166	91
Other income	398	326
Total non-interest income	2,771	2,246
NON-INTEREST EXPENSES:		
Salaries and employee benefits	6,416	5,855
Occupancy and equipment	1,537	1,179
Professional services	438	420
Data processing	480	424
Regulatory assessments	162	175
ATM/Debit card expenses	201	166
License and maintenance contracts	212	146
Directors' expenses	90	229
Advertising	189	170
Internet banking expense	195	169
Acquisition and integration	217	—
Amortization of core deposit intangibles	94	47
Other	1,137	1,133
Total non-interest expenses	11,368	10,113
Income before provision for income taxes	6,829	5,541
Provision for income taxes	1,538	1,291

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Net income	\$5,291	\$ 4,250
Earnings per common share:		
Basic earnings per share	\$0.39	\$ 0.35
Weighted average common shares used in basic computation	13,669,976	12,167,810
Diluted earnings per share	\$0.38	\$ 0.35
Weighted average common shares used in diluted computation	13,804,480	12,317,579
Cash dividend per common share	\$0.07	\$ 0.06

See notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	For the Quarter	
	Ended March 31,	
	2018	2017
Net income	\$5,291	\$4,250
Other Comprehensive Income:		
Unrealized gains (losses) on securities:		
Unrealized holding (losses) gains arising during the period	(8,571)	3,935
Less: reclassification of net gains included in net income	815	482
Other comprehensive (loss) income, before tax	(9,386)	3,453
Tax benefit (expense) related to items of other comprehensive income	2,775	(1,452)
Total other comprehensive (loss) income	(6,611)	2,001
Comprehensive (loss) income	\$(1,320)	\$6,251

See notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Quarter Ended March 31,	
	2018	2017
(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$5,291	\$4,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Net (increase) decrease in deferred loan costs	(80)	267
Depreciation	426	332
Accretion	(218)	(218)
Amortization	1,972	2,201
Stock-based compensation	74	203
(Reversal of) provision for credit losses	—	(100)
Net realized gains on sales of available-for-sale investment securities	(815)	(482)
Increase in bank-owned life insurance, net of expenses	(171)	(148)
Net decrease in accrued interest receivable and other assets	1,489	2,192
Net decrease in accrued interest payable and other liabilities	(2,266)	(821)
Benefit for deferred income taxes	646	298
Net cash provided by operating activities	6,348	7,974
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale investment securities	(92,189)	(14,947)
Proceeds from sales or calls of available-for-sale investment securities	69,315	24,922
Proceeds from maturity and principal repayments of available-for-sale investment securities	10,688	10,561
Net increase in loans	(16,720)	(8,041)
Purchases of premises and equipment	(457)	(87)
Net cash provided by (used in) investing activities	(29,363)	12,408
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) increase in demand, interest bearing and savings deposits	(27,615)	23,260
Net decrease in time deposits	(7,161)	(11,923)
Repayments of borrowings from other financial institutions	—	(400)
Proceeds from stock issued under employee stock purchase plan	43	—
Proceeds from exercise of stock options	549	371
Cash dividend payments on common stock	(961)	(730)
Net cash (used in) provided by financing activities	(35,145)	10,578
Decrease in cash and cash equivalents	(58,160)	30,960
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	100,383	38,568
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$42,223	\$69,528

For the
Quarter
Ended
March
31,