

Village Bank & Trust Financial Corp.
Form 10-Q
August 14, 2013

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

FORM 10-Q
 QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

TRANSITION REPORT UNDER SECTION 13 OR 15(d)
OF THE EXCHANGE ACT

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.)

15521 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 .

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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 <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/> (Do not check if smaller reporting company)	Smaller Reporting Company <input checked="" type="checkbox"/>

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.

4,251,795 shares of common stock, \$4.00 par value, outstanding as of August 6, 2013

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PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Balance Sheets
June 30, 2013 (Unaudited) and December 31, 2012

	June 30, 2013	December 31, 2012
Assets		
Cash and due from banks	\$ 11,880,261	\$ 13,945,105
Federal funds sold	36,085,297	39,185,837
Total cash and cash equivalents	47,965,558	53,130,942
Investment securities available for sale	58,066,627	25,154,046
Loans held for sale	19,759,383	24,188,384
Loans		
Outstandings	305,616,025	354,910,266
Allowance for loan losses	(9,609,777)	(10,807,827)
Deferred fees and costs	735,523	787,823
	296,741,771	344,890,262
Premises and equipment, net	23,679,346	25,815,342
Accrued interest receivable	1,796,514	1,676,518
Bank owned life insurance	6,671,315	6,575,018
Other real estate owned	22,043,634	20,203,691
Other assets	7,259,084	8,453,169
	\$483,983,232	\$510,087,372
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest bearing demand	\$ 60,572,546	\$ 57,049,348
Interest bearing	358,422,792	379,273,614
	418,995,338	436,322,962
Federal Home Loan Bank advances	23,000,000	28,000,000
Long-term debt - trust preferred securities	8,764,000	8,764,000
Other borrowings	4,425,432	4,851,811
Accrued interest payable	1,033,000	911,635
Other liabilities	5,674,622	6,272,163
Total liabilities	461,892,392	485,122,571
Stockholders' equity		
Preferred stock, \$4 par value, \$1,000 liquidation preference, 1,000,000 shares authorized, 14,738 shares issued and outstanding	58,952	58,952
Common stock, \$4 par value - 10,000,000 shares authorized; 4,251,795 shares issued and outstanding at June 30, 2013 4,251,795 shares issued and outstanding at December 31, 2012	17,007,180	17,007,180

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Additional paid-in capital	40,705,740	40,705,257
Retained earnings (deficit)	(33,538,205)	(33,173,525)
Common stock warrant	732,479	732,479
Discount on preferred stock	(124,698)	(198,993)
Accumulated other comprehensive loss	(2,750,608)	(166,549)
Total stockholders' equity	22,090,840	24,964,801
	\$483,983,232	\$510,087,372

See accompanying notes to consolidated financial statements.

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Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Operations
Three and Six Months Ended June 30 2013 and 2012
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest income				
Loans	\$4,622,050	\$5,614,263	\$9,765,001	\$11,513,471
Investment securities	238,816	215,196	426,915	365,545
Federal funds sold	27,899	11,621	53,014	32,553
Total interest income	4,888,765	5,841,080	10,244,930	11,911,569
Interest expense				
Deposits	950,224	1,245,465	1,992,608	2,604,018
Borrowed funds	218,952	244,135	443,345	535,121
Total interest expense	1,169,176	1,489,600	2,435,953	3,139,139
Net interest income	3,719,589	4,351,480	7,808,977	8,772,430
Provision for loan losses	-	6,660,000	823,000	8,395,000
Net interest income (loss) after provision for loan losses	3,719,589	(2,308,520)	6,985,977	377,430
Noninterest income				
Service charges and fees	633,782	540,335	1,145,286	1,047,978
Gain on sale of loans	2,372,400	2,191,229	4,328,117	3,941,892
Gain on sale of assets	-	-	598,182	-
Gain on sale of investment securities	126,812	99,470	216,879	263,677
Rental income	214,329	182,199	426,959	393,197
Other	110,303	121,896	296,608	211,855
Total noninterest income	3,457,626	3,135,129	7,012,031	5,858,599
Noninterest expense				
Salaries and benefits	3,519,142	3,305,869	6,958,550	6,404,093
Occupancy	513,237	579,931	1,070,166	1,160,800
Equipment	179,274	202,616	357,129	407,980
Supplies	118,310	105,311	223,582	197,213
Professional and outside services	637,417	733,909	1,323,777	1,369,291
Advertising and marketing	79,260	47,983	142,561	124,046
Expenses related to foreclosed real estate	751,867	677,848	2,274,501	1,796,623
Other operating expenses	789,612	1,027,500	1,569,680	2,030,721
Total noninterest expense	6,588,119	6,680,967	13,919,946	13,490,767
Net income (loss) before income taxes	589,096	(5,854,358)	78,062	(7,254,738)
Income tax expense (benefit)	-	3,881,914	-	3,881,914

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Net income (loss)	589,096	(9,736,272)	78,062	(11,136,652)
Preferred stock dividends and amortization of discount	221,414	185,449	442,742	405,898
Net income (loss) available to common shareholders	\$367,682	\$(9,921,721)	\$(364,680)	\$(11,542,550)
Earnings (loss) per share, basic	\$0.09	\$(2.33)	\$(0.09)	\$(2.72)
Earnings (loss) per share, diluted	\$0.09	\$(2.33)	\$(0.09)	\$(2.72)

See accompanying notes to consolidated financial statements.

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Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Changes in Comprehensive Income (Loss)
Three and Six Months Ended June 30, 2013 and 2012
(Unaudited)

	Three Months Ended June 30,					
	Amount	2013 Tax Expense (Benefit)	Total	Amount	2012 Tax Expense (Benefit)	Total
Net income (loss)	\$589,096	\$-	\$589,096	\$(5,854,358)	\$3,881,914	\$(9,736,272)
Other comprehensive income (loss)						
Unrealized holding gains (losses) arising during the period	(3,726,023)	(1,266,848)	(2,459,175)	1,046,534	355,822	690,712
Reclassification adjustment for gains (losses) realized in income	(126,812)	(43,116)	(83,696)	(99,470)	(33,820)	(65,650)
Minimum pension adjustment	3,250	1,105	2,145	3,250	1,105	2,145
Total other comprehensive income (loss)	(3,849,585)	(1,308,859)	(2,540,726)	950,314	323,107	627,207
Total comprehensive income (loss)	\$(3,260,489)	\$(1,308,859)	\$(1,951,630)	\$(4,904,044)	\$4,205,021	\$(9,109,065)

	Six Months Ended June 30,					
	Amount	2013 Tax Expense (Benefit)	Total	Amount	2012 Tax Expense (Benefit)	Total
Net income (loss)	\$78,062	\$-	\$78,062	\$(7,254,738)	\$3,881,914	\$(11,136,652)
Other comprehensive income (loss)						
Unrealized holding gains (losses) arising during the period	(3,704,862)	(1,259,653)	(2,445,209)	665,929	226,416	439,513
Reclassification adjustment for gains (losses) realized in income	(216,879)	(73,739)	(143,140)	(263,677)	(89,650)	(174,027)
Minimum pension adjustment	6,500	2,210	4,290	6,500	2,210	4,290
Total other comprehensive income (loss)	(3,915,241)	(1,331,182)	(2,584,059)	408,752	138,976	269,776

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Total comprehensive income (loss)	\$ (3,837,179)	\$ (1,331,182)	\$ (2,505,997)	\$ (6,845,986)	\$ 4,020,890	\$ (10,866,876)
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See accompanying notes to consolidated financial statements.

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Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Stockholders' Equity
Six Months Ended June 30, 2013 and 2012
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Warrant	Discount on Preferred Stock	Accumulated Other Comprehensive Income (loss)	Total
Balance, December 31, 2012	\$58,952	\$17,007,180	\$40,705,257	\$(33,173,525)	\$732,479	\$(198,993)	\$(166,549)	\$24,964,801
Amortization of preferred stock discount	-			(74,295)	-	74,295		-
Preferred stock dividend	-	-		(368,447)	-	-	-	(368,447)
Stock based compensation			483					483
Minimum pension adjustment (net of income taxes of \$2,917)	-	-	-	-	-	-	4,290	4,290
Net income	-	-	-	78,062	-	-	-	78,062
Change in unrealized gain (loss) on investment securities available-for-sale, net of reclassification and tax effect	-	-	-	-	-	-	(2,588,349)	(2,588,349)
Balance, June 30, 2013	\$58,952	\$17,007,180	\$40,705,740	\$(33,538,205)	\$732,479	\$(124,698)	\$(2,750,608)	\$22,090,840
Balance, December 31, 2011	\$58,952	\$16,973,512	\$40,732,178	\$(21,895,557)	\$732,479	\$(346,473)	\$(7,449)	\$36,247,642

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Amortization of preferred stock discount	-		(73,552))	-	73,552		-
Preferred stock dividend	-	-	(332,336))	-	-	-	(332,336)
Issuance of common stock	-	33,668	(33,668))	-	-	-	-
Stock based compensation			5,511					5,511
Minimum pension adjustment (net of income taxes of \$2,917)	-	-	-	-	-	-	4,290	4,290
Net loss	-	-	-	(11,136,652)	-	-	-	(11,136,652)
Change in unrealized gain (loss) on investment securities available-for-sale, net of reclassification and tax effect	-	-	-	-	-	-	265,486	265,486
Balance, June 30, 2012	\$58,952	\$17,007,180	\$40,704,021	\$(33,438,097)	\$732,479	\$(272,921)	\$262,327	\$25,053,941

See accompanying notes to consolidated financial statements.

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Village Bank and Trust Financial Corp. and Subsidiary
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2013 and 2012
(Unaudited)

	2013	2012
Cash Flows from Operating Activities		
Net income (loss)	\$78,062	\$(11,136,652)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	655,794	764,926
Deferred income taxes	(39,413)	(4,290,620)
Valuation allowance	-	6,281,101
Provision for loan losses	823,000	8,395,000
Write-down of other real estate owned	645,725	943,560
Gain on securities sold	(216,879)	(263,677)
Gain on loans sold	(4,328,117)	(3,941,892)
Gain on sale of premises and equipment	(598,182)	-
Loss on sale of other real estate owned	234,674	43,618
Stock compensation expense	483	5,511
Proceeds from sale of mortgage loans	150,969,801	140,739,661
Origination of mortgage loans for sale	(142,212,683)	(140,358,872)
Amortization of premiums and accretion of discounts on securities, net	186,752	130,888
(Increase) decrease in interest receivable	(119,996)	136,377
Increase in bank owned life insurance	(96,297)	(94,030)
Decrease in other assets	2,571,181	5,901,368
Increase in interest payable	121,365	111,534
Decrease in other liabilities	(965,988)	(4,021,113)
Net cash provided by (used in) operating activities	7,709,282	(653,312)
Cash Flows from Investing Activities		
Purchases of available for sale securities	(52,134,093)	(36,395,416)
Proceeds from the sale or calls of available for sale securities	15,329,897	28,804,399
Proceeds from maturities and principal payments of available for sale securities	-	1,593,068
Net decrease in loans	42,394,400	14,634,257
Proceeds from sale of other real estate owned	2,210,749	1,129,343
Purchases of premises and equipment	396,760	(224,896)
Proceeds from sale of premises and equipment	1,681,624	-
Net cash provided by investing activities	9,879,337	9,540,755
Cash Flows from Financing Activities		
Net decrease in deposits	(17,327,624)	(35,101,144)
Net decrease in Federal Home Loan Bank Advances	(5,000,000)	(8,750,000)
Net decrease in other borrowings	(426,379)	(716,317)
Net cash used in financing activities	(22,754,003)	(44,567,461)
Net decrease in cash and cash equivalents	(5,165,384)	(35,680,018)
Cash and cash equivalents, beginning of period	53,130,942	62,786,016

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Cash and cash equivalents, end of period	\$47,965,558	\$27,105,998
Supplemental Schedule of Non Cash Activities		
Real estate owned assets acquired in settlement of loans	\$4,931,091	\$10,616,434
Dividends on preferred stock accrued	\$364,680	\$332,336

See accompanying notes to consolidated financial statements.

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Village Bank and Trust Financial Corp. and Subsidiary
Notes to Condensed Consolidated Financial Statements
Three and Six Months Ended June 30, 2013 and 2012
(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 three wholly-owned subsidiaries, Village Bank Mortgage Company, Village Insurance Agency, Inc., and Village Financial Services Company. All material intercompany balances and transactions have been eliminated in consolidation.

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 and six month periods ended June 30, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013. 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, 2012 as filed with the Securities and Exchange Commission.

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 income for the period. Actual results could differ significantly from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses and the related provision.

Note 3 - Earnings (loss) per common share

The following table presents the basic and diluted earnings per share computations:

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	Three Months Ended June		Six Months Ended June 30,	
	2013	30, 2012	2013	2012
Numerator				
Net income (loss) - basic and diluted	\$589,096	\$(9,736,272)	\$78,062	\$(11,136,652)
Preferred stock dividend and accretion	221,414	185,449	442,742	405,898
Net income (loss) available to common shareholders	\$367,682	\$(9,921,721)	\$(364,680)	\$(11,542,550)
Denominator				
Weighted average shares outstanding - basic	4,251,795	4,250,579	4,251,795	4,250,579
Dilutive effect of common stock options and restricted stock awards	2,292	-	2,292	-
Weighted average shares outstanding - diluted	4,254,087	4,250,579	4,254,087	4,250,579
Earnings (loss) per share - basic and diluted				
Earnings (loss) per share - basic	\$0.09	\$(2.33)	\$(0.09)	\$(2.72)
Effect of dilutive common stock options	-	-	-	-
Earnings (loss) per share - diluted	\$0.09	\$(2.33)	\$(0.09)	\$(2.72)

Outstanding options and warrants to purchase common stock were considered in the computation of diluted earnings per share for the periods presented. Stock options for 247,630 shares of common stock were not included in computing diluted earnings per share for the three and six months ended June 30, 2013 and 2012 because their effects were anti-dilutive. Warrants for 499,029 shares of common stock were not included in computing earnings per share in 2013 and 2012 because their effects were also anti-dilutive.

Note 4 – Investment securities available for sale

At June 30, 2013 and December 31, 2012, 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).

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	Par Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Average Yield	
June 30, 2013							
US Treasury							
Five to ten years	\$8,000	\$7,816	\$-	\$(300)	\$7,516	2.13	%
	8,000	7,816	-	(300)	7,516	2.13	%
US Government Agencies							
One to Five years	2,000	2,006	-	(76)	1,930	0.81	%
Five to ten years	31,625	33,838	-	(2,175)	31,663	1.74	%
More than ten years	2,000	1,982	-	(179)	1,803	2.22	%
	35,625	37,826	-	(2,430)	35,396	1.71	%
Mortgage-backed securities							
More than ten years	1,201	1,253	9	(1)	1,261	1.10	%
Total	1,201	1,253	9	(1)	1,261	1.10	%
Municipals							
Five to ten years	6,155	6,726	-	(501)	6,225	2.72	%
More than ten years	6,780	8,476	-	(807)	7,669	3.34	%
Total	12,935	15,202	-	(1,308)	13,894	3.06	%
Total investment securities	\$57,761	\$62,098	\$9	\$(4,040)	\$58,067	2.08	%
December 31, 2012							
US Government Agencies							
More than ten years	\$10,500	\$11,394	\$8	\$(15)	\$11,387	2.27	%
	10,500	11,394	8	(15)	11,387	2.27	%
Mortgage-backed securities							
More than ten years	1,744	1,830	1	(2)	1,829	0.97	%
Total	1,744	1,830	1	(2)	1,829	0.97	%
Municipals							
One to five years	1,000	1,100	-	(22)	1,078	3.25	%
Five to ten years	3,500	4,031	-	(47)	3,984	2.29	%
More than ten years	5,280	6,908	10	(42)	6,876	2.70	%
Total	9,780	12,039	10	(111)	11,938	2.61	%
Total investment securities	\$22,024	\$25,263	\$19	\$(128)	\$25,154	2.34	%

Investment securities available for sale that have an unrealized loss position at June 30, 2013 and December 31, 2012 are detailed below (dollars in thousands).

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	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
June 30, 2013						
Investment Securities available for sale						
US Treasuries	\$41,576	\$(2,732)	\$-	\$-	\$41,576	\$(2,732)
Municipals	12,848	(1,265)	1,056	(43)	13,904	(1,308)
Mortgage-backed securities	155	(1)	-	-	155	(1)
Total	\$54,579	\$(3,998)	\$1,056	\$(43)	\$55,635	\$(4,041)
December 31, 2012						
Investment Securities available for sale						
US Treasuries	\$4,378	\$(15)	\$-	\$-	\$4,378	\$(15)
Municipals	8,064	(111)	-	-	8,064	(111)
Mortgage-backed securities	167	(2)	-	-	167	(2)
Total	\$12,609	\$(128)	\$-	\$-	\$12,609	\$(128)

Management does not believe that any individual unrealized loss as of June 30, 2013 and December 31, 2012 is other than a temporary impairment. These unrealized losses are attributable to changes in interest rates. As of June 30, 2013, 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.

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).

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	June 30, 2013		December 31, 2012		
	Amount	%	Amount	%	
Construction and land development:					
Residential	\$3,834,697	1.25	% \$2,845,594	0.80	%
Commercial	33,465,195	10.95	% 41,209,831	11.61	%
Total construction and land development	37,299,892	12.20	% 44,055,425	12.41	%
Commercial real estate:					
Farmland	2,525,434	0.83	% 2,581,297	0.73	%
Commercial real estate - owner occupied	75,115,553	24.58	% 92,772,532	26.14	%
Commercial real estate - non-owner occupied	45,796,011	14.98	% 54,550,817	15.37	%
Multifamily	8,851,723	2.90	% 7,978,389	2.25	%
Total commercial real estate	132,288,721	43.29	% 157,883,035	44.49	%
Consumer real estate:					
Home equity lines	22,764,443	7.46	% 25,521,397	7.19	%
Secured by 1-4 family residential, secured by first deeds of trust	72,607,945	23.76	% 80,788,425	22.76	%
Secured by 1-4 family residential, secured by second deeds of trust	8,335,001	2.72	% 9,517,245	2.68	%
Total consumer real estate	103,707,389	33.94	% 115,827,067	32.63	%
Commercial and industrial loans (except those secured by real estate)	29,713,239	9.72	% 34,384,117	9.69	%
Consumer and other	2,606,784	0.85	% 2,760,622	0.78	%
Total Loans	305,616,025	100.0	% 354,910,266	100.0	%
Deferred loan cost (unearned income), net	735,523		787,823		
Less: Allowance for loan losses	(9,609,777)		(10,807,827)		
	\$296,741,771		\$344,890,262		

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. 1-4 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, and;
- 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.

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The following tables provide information on the risk rating of loans at the dates indicated:

	June 30, 2013				Total Loans
	Risk Rated 1-4	Risk Rated 5	Risk Rated 6	Risk Rated 7	
Construction and land development					
Residential	\$3,357,382	\$382,201	\$95,114	\$-	\$3,834,697
Commercial	15,159,915	4,567,320	13,737,960	-	33,465,195
Total construction and land development	18,517,297	4,949,521	13,833,074	-	37,299,892
Commercial real estate:					
Farmland	1,512,641		1,012,793	-	2,525,434
Commercial real estate - owner occupied	46,416,935	17,809,011	10,889,607	-	75,115,553
Commercial real estate - non-owner occupied	17,333,161	13,636,558	14,570,225	256,067	45,796,011
Multifamily	5,389,777	1,064,366	2,397,580	-	8,851,723
Total commercial real estate	70,652,514	32,509,935	28,870,205	256,067	132,288,721
Consumer real estate:					
Home equity lines	17,657,346	1,601,877	3,505,220	-	22,764,443
Secured by 1-4 family residential, secured by first deeds of trust	44,814,224	12,718,523	15,075,198	-	72,607,945
Secured by 1-4 family residential, secured by second deeds of trust	6,431,064	215,053	1,688,884	-	8,335,001
Total consumer real estate	68,902,634	14,535,453	20,269,302	-	103,707,389
Commercial and industrial loans (except those secured by real estate)	21,631,565	2,657,891	5,423,783	-	29,713,239
Consumer and other	1,859,762	159,974	587,048	-	2,606,784
Total Loans	\$181,563,772	\$54,812,774	\$68,983,412	\$256,067	\$305,616,025

December 31, 2012

	December 31, 2012				Total Loans
	Risk Rated 1-4	Risk Rated 5	Risk Rated 6	Risk Rated 7	
Construction and land development:					
Residential	\$2,173,885	\$671,709	\$-	\$-	\$2,845,594
Commercial	17,638,646	7,496,950	16,074,235	-	41,209,831
Total construction and land development	19,812,531	8,168,659	16,074,235	-	44,055,425
Commercial real estate:					
Farmland	1,531,808	-	1,049,489	-	2,581,297
Commercial real estate - owner occupied	63,772,277	19,273,229	9,727,026	-	92,772,532
Commercial real estate - non-owner occupied	24,199,053	15,671,633	14,170,546	509,585	54,550,817

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Multifamily	5,438,427	1,739,283	800,679	-	7,978,389
Total commercial real estate	94,941,565	36,684,145	25,747,740	509,585	157,883,035
Consumer real estate:					
Home equity lines	20,180,206	2,015,248	3,325,943	-	25,521,397
Secured by 1-4 family residential, secured by first deeds of trust	49,659,724	11,235,261	19,893,440	-	80,788,425
Secured by 1-4 family residential, secured by second deeds of trust	7,385,394	342,770	1,789,081	-	9,517,245
Total consumer real estate	77,225,324	13,593,279	25,008,464	-	115,827,067
Commercial and industrial loans (except those secured by real estate)	26,712,028	2,590,735	5,081,354	-	34,384,117
Consumer and other	2,446,304	261,140	53,178	-	2,760,622
 Total Loans	 \$221,137,752	 \$61,297,958	 \$71,964,971	 \$509,585	 \$354,910,266