

Oak Valley Bancorp  
Form 10-Q  
May 14, 2015

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**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**

**OR**

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934**

**Commission file number 001-34142**

**OAK VALLEY BANCORP**

(Exact name of registrant as specified in its charter)

**California**                      **26-2326676**  
State or other jurisdiction of    I.R.S. Employer  
incorporation or organization   Identification No.

**125 N. Third Ave., Oakdale, CA 95361**

(Address of principal executive offices)

**(209) 848-2265**

Issuer's telephone number

**Not applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 8,075,355 shares of common stock outstanding as of April 30, 2015.



**Oak Valley Bancorp**

**March 31, 2015**

**Table of Contents**

<b>PART I – FINANCIAL INFORMATION</b>	<b>Page</b> <b>1</b>
<b>Item 1. Consolidated Financial Statements</b>	<b>1</b>
Condensed Consolidated Balance Sheets at March 31, 2015 (Unaudited), and December 31, 2014	1
Condensed Consolidated Statements of Income (Unaudited) for the Three Month Periods Ended March 31, 2015 and March 31, 2014	2
Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three Month Periods Ended March 31, 2015 and March 31, 2014	3
Condensed Consolidated Statements of Changes of Shareholders' Equity for the Year Ended December 31, 2014 and the Three-Month Period Ended March 31, 2015 (Unaudited)	4
Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three-Month Periods Ended March 31, 2015 and March 31, 2014	5
Notes to Condensed Consolidated Financial Statements	6
<b>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</b>	<b>23</b>
<b>Item 3. Quantitative and Qualitative Disclosures About Market Risk</b>	<b>37</b>
<b>Item 4. Controls and Procedures</b>	<b>37</b>
<b>PART II – OTHER INFORMATION</b>	<b>38</b>
<b>Item 1. Legal Proceedings</b>	<b>38</b>
<b>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</b>	<b>38</b>
<b>Item 3. Defaults Upon Senior Securities</b>	<b>38</b>
<b>Item 4. Mine Safety Disclosures</b>	<b>38</b>
<b>Item 5. Other Information</b>	<b>38</b>
<b>Item 6. Exhibits</b>	<b>39</b>



**PART I – FINANCIAL STATEMENTS****Item 1. Consolidated Financial Statements (Unaudited)****OAK VALLEY BANCORP****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(dollars in thousands)	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Cash and due from banks	\$ 130,638	\$ 132,078
Federal funds sold	19,060	12,210
Cash and cash equivalents	149,698	144,288
Securities available for sale	121,188	121,277
Loans, net of allowance for loan loss of \$7,409 and \$7,534 at March 31, 2015 and December 31, 2014, respectively	445,316	446,492
Bank premises and equipment, net	13,894	14,066
Other real estate owned	834	884
Interest receivable and other assets	22,622	22,658
	<b>\$ 753,552</b>	<b>\$ 749,665</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits	\$ 672,991	\$ 669,581
Interest payable and other liabilities	4,745	5,043
Total liabilities	677,736	674,624
Commitments and contingencies		
Shareholders' equity		
Preferred stock, 10,000,000 shares authorized, no shares issued and outstanding at March 31, 2015 and December 31, 2014	0	0

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Common stock, no par value; 50,000,000 shares authorized, 8,075,355 and 8,074,855 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	24,682	24,682
Additional paid-in capital	2,972	2,910
Retained earnings	46,300	45,582
Accumulated other comprehensive income, net of tax	1,862	1,867
Total shareholders' equity	75,816	75,041
	\$753,552	\$749,665

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

**OAK VALLEY BANCORP****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(dollars in thousands, except per share amounts)	THREE MONTHS ENDED MARCH 31,	
	2015	2014
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$5,403	\$5,305
Interest on securities available for sale	875	916
Interest on federal funds sold	7	13
Interest on deposits with banks	67	43
Total interest income	6,352	6,277
<b>INTEREST EXPENSE</b>		
Deposits	151	173
Total interest expense	151	173
Net interest income	6,201	6,104
(Reversal of) provision for loan losses	(125 )	0
Net interest income after (reversal of) provision for loan losses	6,326	6,104
<b>OTHER INCOME</b>		
Service charges on deposits	312	309
Earnings on cash surrender value of life insurance	108	101
Mortgage commissions	45	30
Net gain on sales and calls of securities	109	8
Other	453	362
Total non-interest income	1,027	810
<b>OTHER EXPENSES</b>		
Salaries and employee benefits	2,983	2,714
Occupancy expenses	747	745
Data processing fees	353	326
Regulatory assessments (FDIC & DBO)	114	120
Other operating expenses	902	976
Total non-interest expense	5,099	4,881
Net income before provision for income taxes	2,254	2,033
<b>PROVISION FOR INCOME TAXES</b>	728	625



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NET INCOME	\$1,526	\$1,408
NET INCOME PER COMMON SHARE	\$0.19	\$0.18
NET INCOME PER DILUTED COMMON SHARE	\$0.19	\$0.18

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

**OAK VALLEY BANCORP**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(in thousands)	THREE MONTHS ENDED MARCH 31, 2015    2014	
Net income	\$1,526	\$1,408
Available for sale securities:		
Unrealized holding gains on securities arising during the current period, net of tax effect of \$41 thousand and \$615 thousand for the periods March 31, 2015 and 2014, respectively	59	880
Reclassification adjustment due to net gains realized on sales and calls of securities, net of tax effect of \$45 thousand and \$3 thousand for March 31, 2015 and 2014, respectively	(64 )	(5 )
Other comprehensive (loss) income	(5 )	875
Comprehensive income	\$1,521	\$2,283

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

**OAK VALLEY BANCORP****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(UNAUDITED)**

YEAR ENDED DECEMBER 31, 2014 AND THREE MONTHS ENDED MARCH 31, 2015								
	Common Stock		Preferred Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
(dollars in thousands)	Shares	Amount	Shares	Amount	Capital	Earnings	Income (Loss)	Equity
Balances, January 1, 2014	7,929,730	\$23,758	0	\$ 0	\$ 2,537	\$38,985	\$ (763)	\$ 64,517
Stock options exercised	122,625	924						924
Tax benefit on stock based compensation					102			102
Restricted stock issued	24,500							
Restricted stock cancelled	(2,000)							
Cash dividends declared						(525)		(525)
Stock based compensation					271			271
Other comprehensive loss							2,630	2,630
Net income						7,122		7,122
Balances, December 31, 2014	8,074,855	\$24,682	0	\$ 0	\$ 2,910	\$45,582	\$ 1,867	\$ 75,041
Restricted stock issued	500							
Cash dividends declared						(808)		(808)
Stock based compensation					62			62
Other comprehensive loss							(5)	(5)
Net income						1,526		1,526
Balances, March 31, 2015	8,075,355	\$24,682	0	\$ 0	\$ 2,972	\$46,300	\$ 1,862	\$ 75,816

*The accompanying notes are an integral part of these consolidated financial statements*

**OAK VALLEY BANCORP****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	<b>THREE MONTHS ENDED MARCH 31,</b>	
(dollars in thousands)	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$1,526	\$1,408
Adjustments to reconcile net earnings to net cash from operating activities:		
(Reversal of) provision for loan losses	(125 )	0
Decrease in deferred fees/costs, net	(4 )	(154 )
Depreciation	296	304
Amortization of investment securities, net	40	46
Stock based compensation	62	84
Excess tax benefits from stock-based payment arrangements	0	(49 )
Gain on sale of premises and equipment	(5 )	0
OREO write downs	50	0
Gain on sales and calls of available for sale securities	(109 )	(8 )
Earnings on cash surrender value of life insurance	(108 )	(101 )
Decrease in interest payable and other liabilities	(298 )	(138 )
Decrease in interest receivable	181	213
(Increase) decrease in other assets	(33 )	457
Net cash from operating activities	1,473	2,062
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of available for sale securities	(8,948 )	(5,065 )
Proceeds from maturities, calls, and principal paydowns of securities available for sale	9,097	4,662
Net decrease (increase) in loans	1,305	(3,116 )
Purchase of BOLI policies	0	(1,029 )
Proceeds from sales of premises and equipment	5	0
Net purchases of premises and equipment	(124 )	(560 )
Net cash from (used in) investing activities	1,335	(5,108 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Shareholder cash dividends paid	(808 )	(793 )
Net increase in demand deposits and savings accounts	3,792	14,812
Net decrease in time deposits	(382 )	(1,449 )
Excess tax benefits from stock-based payment arrangements	0	49
Proceeds from sale of common stock and exercise of stock options	0	890
Net cash from financing activities	2,602	13,509

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NET INCREASE IN CASH AND CASH EQUIVALENTS	5,410	10,463
CASH AND CASH EQUIVALENTS, beginning of period	144,288	105,191
CASH AND CASH EQUIVALENTS, end of period	\$ 149,698	\$ 115,654
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 160	\$ 189
Income taxes		