

PEOPLES BANCORP OF NORTH CAROLINA INC
Form 10-Q
May 03, 2012

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, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

PEOPLES BANCORP OF NORTH CAROLINA, INC.
(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of incorporation or organization)

000-27205
(Commission File No.)

56-2132396
(IRS Employer Identification No.)

518 West C Street, Newton, North Carolina
(Address of principal executive offices)

28658
(Zip Code)

(828) 464-5620
(Registrant's telephone number, including area code)

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 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerate
Filer

Accelerated
Filer

Non-Accelerated
Filer

Smaller Reporting Company X

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act).

Yes No X

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

5,544,160 shares of common stock, outstanding at April 30, 2012.

INDEX

PART I.	FINANCIAL INFORMATION	PAGE(S)
Item 1.	Financial Statements	
	Consolidated Balance Sheets at March 31, 2012 (Unaudited) and December 31, 2011 (Audited)	3
	Consolidated Statements of Earnings for the three months ended March 31, 2012 and 2011 (Unaudited)	4
	Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011 (Unaudited)	5
	Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011 (Unaudited)	6-7
	Notes to Consolidated Financial Statements (Unaudited)	8-22
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23-36
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	37
Item 4T.	Controls and Procedures	38
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	39
Item 1A.	Risk Factors	39
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 3.	Defaults upon Senior Securities	39
Item 5.	Other Information	39
Item 6.	Exhibits	39-42
Signatures		43
Certifications		44-46

Statements made in this Form 10-Q, other than those concerning historical information, should be considered forward-looking statements pursuant to the safe harbor provisions of the Securities Exchange Act of 1934 and the Private Securities Litigation Act of 1995. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management and on the information available to management at the time that this Form 10-Q was prepared. These statements can be identified by the use of words like “expect,” “anticipate,” “estimate,” and “believe,” variations of these words and other similar expressions. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, (1) competition in the markets served by Peoples Bank, (2) changes in the interest rate environment, (3) general national, regional or local economic conditions may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and the possible impairment of collectibility of loans, (4) legislative or regulatory changes, including changes in accounting standards, (5) significant changes in the federal and state legal and regulatory environments and tax laws, (6) the impact of changes in monetary and fiscal policies, laws, rules and regulations and (7) other risks and factors identified in other filings with the Securities and Exchange Commission, including but not limited to those described in Peoples Bancorp of North Carolina, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2011.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PEOPLES BANCORP OF NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollars in thousands)

Assets	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
Cash and due from banks, including reserve requirements of \$9,601 and \$8,492	\$ 23,944	22,532
Interest bearing deposits	24,160	6,704
Cash and cash equivalents	48,104	29,236
Investment securities available for sale	299,303	321,388
Other investments	6,205	5,712
Total securities	305,508	327,100
Mortgage loans held for sale	6,256	5,146
Loans	658,343	670,497
Less allowance for loan losses	(16,612)	(16,604)
Net loans	641,731	653,893
Premises and equipment, net	16,629	16,896
Cash surrender value of life insurance	12,937	12,835
Other real estate	8,020	7,576
Accrued interest receivable and other assets	14,142	14,381
Total assets	\$ 1,053,327	1,067,063
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing demand	\$ 149,628	136,878
NOW, MMDA & savings	355,688	366,133
Time, \$100,000 or more	176,428	193,045
Other time	126,055	131,055
Total deposits	807,799	827,111
Securities sold under agreements to repurchase	43,479	39,600
FHLB borrowings	70,000	70,000
Junior subordinated debentures	20,619	20,619

Edgar Filing: PEOPLES BANCORP OF NORTH CAROLINA INC - Form 10-Q

Accrued interest payable and other liabilities	7,024	6,706
Total liabilities	948,921	964,036
Commitments		
Shareholders' equity:		
Series A preferred stock, \$1,000 stated value; authorized 5,000,000 shares; issued and outstanding 25,054 shares in 2012 and 2011		
	24,793	24,758
Common stock, no par value; authorized 20,000,000 shares; issued and outstanding 5,544,160 shares in 2012 and 2011		
	48,298	48,298
Retained earnings	27,817	26,895
Accumulated other comprehensive income	3,498	3,076
Total shareholders' equity	104,406	103,027
Total liabilities and shareholders' equity	\$ 1,053,327	1,067,063

See accompanying Notes to Consolidated Financial Statements.

PEOPLES BANCORP OF NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

Three months ended March 31, 2012 and 2011

(Dollars in thousands, except per share amounts)

	2012 (Unaudited)	2011 (Unaudited)
Interest income:		
Interest and fees on loans	\$8,425	9,614
Interest on investment securities:		