

FIRST COMMUNITY BANCSHARES INC /NV/

Form 10-Q

August 07, 2015

[Table of Contents](#)

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 June 30, 2015

Commission file number 000-19297

FIRST COMMUNITY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction

of incorporation)

55-0694814
(IRS Employer

Identification No.)

P.O. Box 989

Bluefield, Virginia
(Address of principal executive offices)

24605-0989
(Zip Code)

(276) 326-9000

(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, 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 a 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 stock, as of the latest practicable date.

Class Common Stock, \$1.00 Par Value; 18,530,076 shares outstanding as of July 31, 2015

Table of Contents

FIRST COMMUNITY BANCSHARES, INC.

FORM 10-Q

For the quarter ended June 30, 2015

INDEX

	Page
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of June 30, 2015 (Unaudited) and December 31, 2014</u>	3
<u>Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2015 and 2014 (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2015 and 2014 (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2015 and 2014 (Unaudited)</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014 (Unaudited)</u>	7
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	44
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	61
Item 4. <u>Controls and Procedures</u>	62
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	62
Item 1A. <u>Risk Factors</u>	63
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	63
Item 3. <u>Defaults Upon Senior Securities</u>	63
Item 4. <u>Mine Safety Disclosures</u>	63
Item 5. <u>Other Information</u>	63
Item 6. <u>Exhibits</u>	64
<u>SIGNATURES</u>	66
<u>EXHIBIT INDEX</u>	67

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****FIRST COMMUNITY BANCSHARES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2015	December 31, 2014
	(Unaudited)	
<i>(Amounts in thousands, except share and per share data)</i>		
Assets		
Cash and due from banks	\$ 38,200	\$ 39,450
Federal funds sold	53,023	196,873
Interest-bearing deposits in banks	1,379	1,337
Total cash and cash equivalents	92,602	237,660
Securities available for sale	376,191	326,117
Securities held to maturity	72,652	57,948
Loans held for sale	913	1,792
Loans held for investment, net of unearned income:		
Covered under loss share agreements	102,634	122,240
Not covered under loss share agreements	1,564,655	1,567,176
Less allowance for loan losses	(20,258)	(20,227)
Loans held for investment, net	1,647,031	1,669,189
FDIC indemnification asset	23,653	27,900
Premises and equipment, net	54,112	55,844
Other real estate owned:		
Covered under loss share agreements	5,382	6,324
Not covered under loss share agreements	7,434	6,638
Interest receivable	6,119	6,315
Goodwill	100,810	100,722
Other intangible assets	5,865	6,421
Other assets	99,034	105,066
Total assets	\$ 2,491,798	\$ 2,607,936
Liabilities		
Deposits:		
Noninterest-bearing	\$ 424,438	\$ 417,729
Interest-bearing	1,495,783	1,583,030
Total deposits	1,920,221	2,000,759

Edgar Filing: FIRST COMMUNITY BANCSHARES INC /NV/ - Form 10-Q

Interest, taxes, and other liabilities	23,852	26,062
Securities sold under agreements to repurchase	122,158	121,742
FHLB borrowings	65,000	90,000
Other borrowings	15,999	17,999
Total liabilities	2,147,230	2,256,562
Stockholders equity		
Preferred stock, undesignated par value; 1,000,000 shares authorized: Series A Noncumulative Convertible Preferred Stock, \$0.01 par value; 25,000 shares authorized; 0 and 15,151 shares outstanding at June 30, 2015, and December 31, 2014, respectively		15,151
Common stock, \$1 par value; 50,000,000 shares authorized; 21,381,779 and 20,499,683 shares issued at June 30, 2015, and December 31, 2014, respectively; 2,739,813 and 2,093,464 shares in treasury at June 30, 2015, and December 31, 2014, respectively	21,382	20,500
Additional paid-in capital	227,616	215,873
Retained earnings	148,378	141,206
Treasury stock, at cost	(46,610)	(35,751)
Accumulated other comprehensive loss	(6,198)	(5,605)
Total stockholders equity	344,568	351,374
Total liabilities and stockholders equity	\$ 2,491,798	\$ 2,607,936

See Notes to Consolidated Financial Statements.

Table of Contents**FIRST COMMUNITY BANCSHARES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<i>(Amounts in thousands, except share and per share data)</i>				
Interest income				
Interest and fees on loans held for investment	\$ 21,826	\$ 23,410	\$ 43,740	\$ 46,244
Interest on securities taxable	1,070	1,537	2,105	3,634
Interest on securities nontaxable	1,003	1,099	2,019	2,221
Interest on deposits in banks	80	47	213	77
Total interest income	23,979	26,093	48,077	52,176
Interest expense				
Interest on deposits	1,562	1,835	3,292	3,723
Interest on short-term borrowings	499	483	989	985
Interest on long-term debt	848	1,707	1,887	3,375
Total interest expense	2,909	4,025	6,168	8,083
Net interest income	21,070	22,068	41,909	44,093
Provision for loan losses	276	1,279	1,376	3,072
Net interest income after provision for loan losses	20,794	20,789	40,533	41,021
Noninterest income				
Wealth management	775	718	1,441	1,726
Service charges on deposit accounts	3,507	3,423	6,410	6,493
Other service charges and fees	2,005	1,850	4,013	3,621
Insurance commissions	1,559	1,454	3,686	3,418
Impairment losses on securities		(254)		(518)
Portion of losses recognized in other comprehensive income				
Net impairment losses recognized in earnings		(254)		(518)
Net gain (loss) on sale of securities	213	(59)	190	(14)
Net FDIC indemnification asset amortization	(1,846)	(936)	(3,411)	(2,070)
Other operating income	1,924	1,408	2,644	2,182
Total noninterest income	8,137	7,604	14,973	14,838
Noninterest expense				
Salaries and employee benefits	9,693	10,043	19,386	19,948
Occupancy expense of bank premises	1,427	1,578	2,961	3,356
Furniture and equipment	1,358	1,205	2,595	2,399

Edgar Filing: FIRST COMMUNITY BANCSHARES INC /NV/ - Form 10-Q

Amortization of intangible assets	279	178	556	353
FDIC premiums and assessments	389	458	804	892
FHLB debt prepayment fees	1,702		1,702	
Merger, acquisition, and divestiture expense			86	
Other operating expense	5,441	4,701	9,979	10,395
Total noninterest expense	20,289	18,163	38,069	37,343
Income before income taxes	8,642	10,230	17,437	18,516
Income tax expense	2,467	3,223	5,304	5,784
Net income	6,175	7,007	12,133	12,732
Dividends on preferred stock		227	105	455
Net income available to common shareholders	\$ 6,175	\$ 6,780	\$ 12,028	\$ 12,277
Basic earnings per common share	\$ 0.33	\$ 0.37	\$ 0.64	\$ 0.67
Diluted earnings per common share	0.33	0.36	0.64	0.65
Cash dividends per common share	0.13	0.12	0.26	0.24
Weighted average basic shares outstanding	18,831,742	18,395,996	18,733,288	18,409,414
Weighted average diluted shares outstanding	18,860,119	19,457,237	19,095,408	19,475,333

See Notes to Consolidated Financial Statements.

Table of Contents

FIRST COMMUNITY BANCSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

<i>(Amounts in thousands, except share and per share data)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Comprehensive Income				
Net income	\$ 6,175	\$ 7,007	\$ 12,133	\$ 12,732
Other comprehensive (loss) income, before tax:				
Available-for-sale securities:				
Unrealized (losses) gains on securities available for sale with other-than-temporary impairment		(264)		218
Unrealized (losses) gains on securities available for sale without other-than-temporary impairment	(2,440)	6,221	(823)	11,927
Less: reclassification adjustment for (gains) losses realized in net income	(213)	59	(190)	14
Less: reclassification adjustment for credit-related other-than-temporary impairments recognized in net income		254		518
Unrealized (losses) gains on available-for-sale securities	(2,653)	6,270	(1,013)	12,677
Employee benefit plans:				
Net actuarial gain (loss) on pension and other postretirement benefit plans	1	2	(97)	31
Less: reclassification adjustment for amortization of prior service cost and net actuarial loss included in net periodic benefit cost	81	64	163	129
Unrealized gains on employee benefit plans	82	66	66	160
Other comprehensive (loss) income, before tax	(2,571)	6,336	(947)	12,837
Income tax benefit (expense)	964	(2,386)	354	(4,834)
Other comprehensive (loss) income, net of tax	(1,607)	3,950	(593)	8,003
Total comprehensive income	\$ 4,568	\$ 10,957	\$ 11,540	\$ 20,735

See Notes to Consolidated Financial Statements.

&nbs