

NATIONAL BANKSHARES INC  
Form 10-Q  
August 06, 2014  
**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, 2014

**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 0-15204

**NATIONAL BANKSHARES, INC.**

(Exact name of registrant as specified in its charter)

Virginia

54-1375874

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

101 Hubbard Street

P. O. Box 90002

Blacksburg, VA 24062-9002  
(Address of principal executive offices) (Zip Code)

(540) 951-6300

(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  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

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

<u>Class</u>	<u>Outstanding at August 1, 2014</u>
--------------	--------------------------------------

Common Stock, \$1.25 Par Value	6,947,974
--------------------------------	-----------

(This report contains 55 pages)

**NATIONAL BANKSHARES, INC. AND SUBSIDIARIES**

Form 10-Q

Index

<b>Part I – Financial Information</b>		<b>Page</b>
Item 1	Financial Statements	3
	Consolidated Balance Sheets, June 30, 2014 (Unaudited) and December 31, 2013	3
	Consolidated Statements of Income for the Three Months Ended June 30, 2014 and 2013 (Unaudited)	4
	Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended June 30, 2014 and 2013 (Unaudited)	5
	Consolidated Statements of Income for the Six Months Ended June 30, 2014 and 2013 (Unaudited)	6
	Consolidated Statements of Comprehensive Income (Loss) for the Six Months Ended June 30, 2014 and 2013 (Unaudited)	7
	Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2014 and 2013 (Unaudited)	8
	Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013 (Unaudited)	9
	Notes to Consolidated Financial Statements (Unaudited)	10 - 33
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	33 - 45
Item 3	Quantitative and Qualitative Disclosures About Market Risk	45
Item 4	Controls and Procedures	46
<b>Part II – Other Information</b>		
Item 1	Legal Proceedings	46
Item 1A	Risk Factors	46

Edgar Filing: NATIONAL BANKSHARES INC - Form 10-Q

Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	46
Item 3	Defaults Upon Senior Securities	46
Item 4	Mine Safety Disclosures	46
Item 5	Other Information	46 - 47
Item 6	Exhibits	47
<b>Signatures</b>		47
<b>Index of Exhibits</b>		48 - 49
<b>Certifications</b>		

**Part I****Item 1. Financial Statements Financial Information**

National Bankshares, Inc. and Subsidiaries

Consolidated Balance Sheets

<b>\$ in thousands, except per share data</b>	<b>(Unaudited)</b>	
	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Cash and due from banks	<b>\$ 15,917</b>	\$ 13,283
Interest-bearing deposits	<b>106,112</b>	98,066
Securities available for sale, at fair value	<b>195,407</b>	181,712
Securities held to maturity (fair value approximates \$166,182 at June 30, 2014 and \$159,337 at December 31, 2013)	<b>162,956</b>	163,983
Restricted stock, at cost	<b>1,089</b>	1,414
Mortgage loans held for sale	<b>383</b>	1,276
Loans:		
Loans, net of unearned income and deferred fees	<b>593,400</b>	595,690
Less allowance for loan losses	<b>(7,971)</b>	(8,227)
Loans, net	<b>585,429</b>	587,463
Premises and equipment, net	<b>9,482</b>	9,951
Accrued interest receivable	<b>5,798</b>	5,949
Other real estate owned, net	<b>5,293</b>	4,712
Intangible assets and goodwill	<b>7,761</b>	8,299
Bank-owned life insurance	<b>21,491</b>	21,181
Other assets	<b>11,361</b>	13,341
<b>Total assets</b>	<b>\$ 1,128,479</b>	\$ 1,110,630
<b>Liabilities and Stockholders' Equity</b>		
Noninterest-bearing demand deposits	<b>\$ 146,727</b>	\$ 142,645
Interest-bearing demand deposits	<b>510,304</b>	501,541
Savings deposits	<b>79,255</b>	74,141
Time deposits	<b>231,177</b>	241,709
Total deposits	<b>967,463</b>	960,036
Accrued interest payable	<b>71</b>	92
Other liabilities	<b>4,149</b>	4,610
Total liabilities	<b>971,683</b>	964,738
Commitments and contingencies	<b>---</b>	---
<b>Stockholders' Equity</b>		
Preferred stock, no par value, 5,000,000 shares authorized; none issued and outstanding	<b>---</b>	---
Common stock of \$1.25 par value. Authorized 10,000,000 shares; issued and outstanding 6,947,974 shares at June 30, 2014 and December 31, 2013	<b>8,685</b>	8,685

Edgar Filing: NATIONAL BANKSHARES INC - Form 10-Q

Retained earnings	<b>158,863</b>	154,171
Accumulated other comprehensive loss, net	<b>(10,752 )</b>	(16,964 )
Total stockholders' equity	<b>156,796</b>	145,892
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,128,479</b>	\$ 1,110,630

See accompanying notes to consolidated financial statements.

National Bankshares, Inc. and Subsidiaries

Consolidated Statements of Income

Three Months Ended June 30, 2014 and 2013

(Unaudited)

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>\$ in thousands, except per share data</b>		
<b>Interest Income</b>		
Interest and fees on loans	<b>\$7,819</b>	\$8,192
Inte		