

NEW PEOPLES BANKSHARES INC

Form 10-Q

May 10, 2013

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

x **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended March 31, 2013

.. **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: 000-33411

**NEW PEOPLES BANKSHARES, INC.**

(Exact name of registrant as specified in its charter)

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**Virginia**  
(State or other jurisdiction of  
incorporation or organization)

**31-1804543**  
(I.R.S. Employer  
Identification No.)

**67 Commerce Drive**

**Honaker, Virginia**  
(Address of principal executive offices)

**24260**  
(Zip Code)

(Registrant's telephone number, including area code) (276) 873-7000

n/a

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

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. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  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	Outstanding at May 9, 2013
Common Stock, \$2.00 par value	21,871,063

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**Item 1**      **Financial Statements**

**NEW PEOPLES BANKSHARES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**

(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

(UNAUDITED)

	2013	2012
<b>INTEREST AND DIVIDEND INCOME</b>		
Loans including fees	\$ 7,253	\$ 8,748
Federal funds sold	1	
Interest-earning deposits with banks	50	47
Investments	197	201
Dividends on equity securities (restricted)	28	26
<b>Total Interest and Dividend Income</b>	<b>7,529</b>	<b>9,022</b>
<b>INTEREST EXPENSE</b>		
Deposits		
Demand	30	26
Savings	68	62
Time deposits below \$100,000	582	875
Time deposits above \$100,000	406	587
FHLB Advances	64	181
Other borrowings		44
Trust Preferred Securities	113	122
<b>Total Interest Expense</b>	<b>1,263</b>	<b>1,897</b>
<b>NET INTEREST INCOME</b>	<b>6,266</b>	<b>7,125</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>550</b>	<b>1,950</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>5,716</b>	<b>5,175</b>
<b>NONINTEREST INCOME</b>		
Service charges	533	557
Fees, commissions and other income	721	615
Insurance and investment fees	77	109
Net realized gains on sale of investment securities	99	72
Life insurance investment income	39	114
<b>Total Noninterest Income</b>	<b>1,469</b>	<b>1,467</b>
<b>NONINTEREST EXPENSES</b>		

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Salaries and employee benefits	3,446	3,598
Occupancy and equipment expense	1,081	1,099
Advertising and public relations	73	90
Data processing and telecommunications	411	439
FDIC insurance premiums	376	431
Other real estate owned and repossessed vehicles, net	377	1,974
Other operating expenses	1,255	1,356
<b>Total Noninterest Expenses</b>	<b>7,019</b>	<b>8,987</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>166</b>	<b>(2,345)</b>
<b>INCOME TAX EXPENSE</b>	<b>19</b>	<b>190</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 147</b>	<b>\$ (2,535)</b>
<b>Income (Loss) Per Share</b>		
Basic	\$ 0.01	\$ (0.25)
Fully Diluted	\$ 0.01	\$ (0.25)
<b>Average Weighted Shares of Common Stock</b>		
Basic	21,868,458	10,010,178
Fully Diluted	21,868,458	10,010,178

The accompany notes are an integral part of this statement.

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**NEW PEOPLES BANKSHARES, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**

(IN THOUSANDS)

(UNAUDITED)

	<b>2013</b>	<b>2012</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 147</b>	<b>\$ (2,535)</b>
<b>Other comprehensive income (loss):</b>		
Investment Securities Activity		
Unrealized losses arising during the period	(147)	(182)
Tax related to unrealized losses	50	62
Reclassification of realized gains during the period	(99)	(72)
Tax related to realized gains	33	24
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>	<b>(163)</b>	<b>(168)</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>\$ (16)</b>	<b>\$ (2,703)</b>

The accompanying notes are an integral part of this statement.

**Table of Contents****NEW PEOPLES BANKSHARES, INC.****CONSOLIDATED BALANCE SHEETS**

(IN THOUSANDS EXCEPT PER SHARE AND SHARE DATA)

	<b>March 31, 2013</b> (Unaudited)	<b>December 31, 2012</b> (Audited)
<b>ASSETS</b>		
Cash and due from banks	\$ 16,850	\$ 17,517
Interest-bearing deposits with banks	69,922	76,590
Federal funds sold	1,012	2
<b>Total Cash and Cash Equivalents</b>	<b>87,784</b>	<b>94,109</b>
Investment securities		
Available-for-sale	54,129	49,615
Loans receivable	511,376	522,363
Allowance for loan losses	(14,944)	(16,810)
<b>Net Loans</b>	<b>496,432</b>	<b>505,553</b>
Bank premises and equipment, net	31,284	31,190
Equity securities (restricted)	2,704	2,803
Other real estate owned	13,781	13,869
Accrued interest receivable	2,203	2,374
Life insurance investments	12,003	11,964
Goodwill and other intangibles	39	53
Deferred taxes	4,734	4,686
Other assets	2,651	2,799
<b>Total Assets</b>	<b>\$ 707,744</b>	<b>\$ 719,015</b>
<b>LIABILITIES</b>		
Deposits:		
Demand deposits:		
Noninterest bearing	\$ 103,855	\$ 98,432
Interest-bearing	69,079	68,665
Savings deposits	103,559	113,280
Time deposits	364,802	372,473
<b>Total Deposits</b>	<b>641,295</b>	<b>652,850</b>
Federal Home Loan Bank advances	6,258	6,558
Accrued interest payable	1,974	1,880
Accrued expenses and other liabilities	1,892	1,365
Trust preferred securities	16,496	16,496
<b>Total Liabilities</b>	<b>667,915</b>	<b>679,149</b>

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Commitments and contingencies

**STOCKHOLDERS EQUITY**

Common stock \$2.00 par value; 50,000,000 shares authorized; 21,871,063 and 21,865,535 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	43,742	43,731
Common stock warrants	2,051	2,056
Additional paid-in-capital	13,054	13,081
Retained earnings (deficit)	(19,262)	(19,409)
Accumulated other comprehensive income	244	407
Total Stockholders Equity	39,829	39,866
Total Liabilities and Stockholders Equity	\$ 707,744	\$ 719,015

The accompanying notes are an integral part of this statement.



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## NEW PEOPLES BANKSHARES, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

## FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(IN THOUSANDS INCLUDING SHARE DATA)

(UNAUDITED)

	Shares of Common Stock	Common Stock	Common Stock Warrants	Additional Paid-in- Capital	Retained Earnings (Deficit)	Accum- ulated Other Compre- hensive Income (Loss)	Total Stockholders Equity
Balance, December 31, 2011	10,010	\$ 20,020	\$	\$ 21,689	\$ (13,085)	\$ 249	\$ 28,873
Net loss					(2,535)		(2,535)
Realized gains on available-for-sale securities, net of \$24 tax						(48)	(48)
Unrealized loss on available-for-sale securities, net of \$62 tax						(120)	(120)
Balance, March 31, 2012	10,010	\$ 20,020	\$	\$ 21,689	\$ (15,620)	\$ 81	\$ 26,170
Balance, December 31, 2012	21,866	\$ 43,731	\$ 2,056	\$ 13,081	\$ (19,409)	\$ 407	\$ 39,866
Net income					147		147
Exercise of Common Stock Warrants	5	11	(5)	5			11
Stock offering costs				(32)			(32)
Realized gains on available-for-sale securities, net of \$33 tax						(66)	(66)
Unrealized loss on available-for-sale securities, net of \$50 tax						(97)	(97)
Balance, March 31, 2013	21,871	\$ 43,742	\$ 2,051	13,054	\$ (19,262)	\$ 244	\$ 39,829

The accompanying notes are an integral part of this statement.

**Table of Contents****NEW PEOPLES BANKSHARES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**

(IN THOUSANDS)

(UNAUDITED)

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 147	\$ (2,535)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	611	642
Provision for loan losses	550	1,950
Income (less expenses) on life insurance	(39)	(114)
Gain on sale of securities available-for-sale	(99)	(72)
(Gain) loss on sale of fixed assets	29	(3)
Loss (gain) on sale of foreclosed real estate	(12)	63
Adjustment of carrying value of foreclosed real estate	151	1,410
Accretion of bond premiums/discounts	199	104
Deferred tax expense	35	220
Amortization of core deposit intangible	14	21
Net change in:		
Interest receivable	171	362
Other assets	148	(1,171)
Accrued interest payable	94	77
Accrued expenses and other liabilities	527	219
<b>Net Cash Provided by Operating Activities</b>	<b>2,526</b>	<b>1,173</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net decrease in loans	7,235	18,418
Purchase of securities available-for-sale	(11,693)	(14,554)
Proceeds from sale and maturities of securities available-for-sale	6,833	3,205
Sale of Federal Home Loan Bank stock	309	
Purchase of Federal Reserve Bank stock	(210)	
Payments for the purchase of premises and equipment	(739)	(414)
Proceeds from sales of premises and equipment	5	19
Proceeds from sales of other real estate owned	1,285	1,957
<b>Net Cash Provided by Investing Activities</b>	<b>3,025</b>	<b>8,631</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Exercise of common stock warrants	11	
Stock offering costs	(32)	
Repayments to Federal Home Loan Bank	(300)	(300)
Net change in:		
Demand deposits	5,837	6,718
Savings deposits	(9,721)	4,292
Time deposits	(7,671)	(20,240)

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Net Cash Used in Financing Activities	(11,876)	(9,530)
Net (decrease) increase in cash and cash equivalents	(6,325)	274
Cash and Cash Equivalents, Beginning of Period	94,109	90,553
Cash and Cash Equivalents, End of Period	\$ 87,784	\$ 90,827
Supplemental Disclosure of Cash Paid During the Period for:		
Interest	\$ 1,357	\$ 1,974
Taxes	\$	\$
Supplemental Disclosure of Non Cash Transactions:		
Other real estate acquired in settlement of foreclosed loans	\$ 1,336	\$ 3,347

The accompanying notes are an integral part of this statement.

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**NEW PEOPLES BANKSHARES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 NATURE OF OPERATIONS:**

New Peoples Bankshares, Inc. ( The Company ) is a bank holding company whose principal activity is the ownership and management of a community bank. New Peoples Bank, Inc. ( Bank ) was organized and incorporated under the laws of the Commonwealth of Virginia on December 9, 1997. The Bank commenced operations on October 28, 1998, after receiving regulatory approval. As a state chartered member bank, the Bank is subject to regulation by the Virginia Bureau of Financial Institutions, the Federal Deposit Insurance Corporation and the Federal Reserve Bank. The Bank provides general banking services to individuals, small and medium size businesses and the professional community of southwestern Virginia, southern West Virginia, and eastern Tennessee. On June 9, 2003, the Company formed two wholly owned subsidiaries, NPB Financial Services, Inc. and NPB Web Services, Inc. On July 7, 2004 the Company established NPB Capital Trust I for the purpose of issuing trust preferred securities. On September 27, 2006, the Company established NPB Capital Trust 2 for the purpose of issuing additional trust preferred securities. NPB Financial Services, Inc. was a subsidiary of the Company until January 1, 2009 when it became a subsidiary of the Bank. In June 2012 the name of NPB Financial Services, Inc. was changed to NPB Insurance Services, Inc. which operates solely as an insurance agency.

**NOTE 2 ACCOUNTING PRINCIPLES:**

The financial statements conform to U. S. generally accepted accounting principles and to general industry practices. In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position at March 31, 2013, and the results of operations for the three month periods ended March 31, 2013 and 2012. The notes included herein should be read in conjunction with the notes to financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012. The results of operations for the three month periods ended March 31, 2013 and 2012 are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The determination of the adequacy of the allowance for loan losses and the determination of the deferred tax asset and valuation allowance are based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions.

**NOTE 3 FORMAL WRITTEN AGREEMENT:**

Effective July 29, 2010, the Company and the Bank entered into a written agreement with the Federal Reserve Bank of Richmond ( Reserve Bank ) and the Virginia State Corporation Commission Bureau of Financial Institutions (the Bureau ) called (the Written Agreement ). At March 31, 2013, we believe we have not yet achieved full compliance with the Written Agreement but we have made progress in our compliance efforts under the Written Agreement and all of the written plans required to date, as discussed in the following paragraphs, have been submitted on a timely basis.

Under the terms of the Written Agreement, the Bank has agreed to develop and submit for approval within specified time periods written plans to: (a) strengthen board oversight of management and the Bank s operation; (b) if appropriate after review, to strengthen the Bank s management and board governance; (c) strengthen credit risk management policies; (d) enhance lending and credit administration; (e) enhance the Bank s management of commercial real estate concentrations; (f) conduct ongoing review and grading of the Bank s loan portfolio; (g) improve the Bank s position with respect to loans, relationships, or other assets in excess of \$1 million which are now or in the future become past due more than 90 days, which are on the Bank s problem loan list, or which are adversely classified in any report of examination of the Bank; (h) review and revise, as appropriate, current policy and maintain sound processes for maintaining an adequate allowance for loan and lease losses; (i) enhance management of the Bank s liquidity position and funds management practices; (j) revise its contingency funding plan; (k) revise its strategic plan; and (l) enhance the Bank s anti-money laundering and related activities.

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In addition, the Bank has agreed that it will: (a) not extend, renew, or restructure any credit that has been criticized by the Reserve Bank or the Bureau absent prior board of directors approval in accordance with the restrictions in the Written Agreement; (b) eliminate all assets or portions of assets classified as loss and thereafter charge off all assets classified as loss in a federal or state report of examination, unless otherwise approved by the Reserve Bank.

Under the terms of the Written Agreement, both the Company and the Bank have agreed to submit capital plans to maintain sufficient capital at the Company, on a consolidated basis, and the Bank, on a stand-alone basis, and to refrain

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from declaring or paying dividends without prior regulatory approval. The Company has agreed that it will not take any other form of payment representing a reduction in the Bank's capital or make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without prior regulatory approval. The Company may not incur, increase or guarantee any debt without prior regulatory approval and has agreed not to purchase or redeem any shares of its stock without prior regulatory approval.

Under the terms of the Written Agreement, the Company and the Bank have appointed a committee to monitor compliance with the Written Agreement. The directors of the Company and the Bank have recognized and unanimously agree with the common goal of financial soundness represented by the Written Agreement and have confirmed the intent of the directors and executive management to diligently seek to comply with all requirements of the Written Agreement.

**NOTE 4 CAPITAL:**  
**Capital Requirements and Ratios**

The Company and the Bank are subject to various capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and, possibly, additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of March 31, 2013, the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of March 31, 2013 the Bank was well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Company's and Bank's category.

The Company's and the Bank's actual capital amounts and ratios are presented in the table as of March 31, 2013 and December 31, 2012, respectively.

(Dollars are in thousands)	Actual		Minimum Capital Requirement		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>March 31, 2013:</b>						
<b>Total Capital to Risk Weighted Assets</b>						
The Company	\$ 57,783	13.65%	33,861	8%	\$ N/A	N/A
The Bank	55,474	13.08%	33,922	8%	42,403	10%
<b>Tier 1 Capital Risk Weighted Assets:</b>						
The Company	49,555	11.71%	16,931	4%	N/A	N/A
The Bank	50,055	11.80%	16,961	4%	25,442	6%
<b>Tier 1 Capital to Average Assets:</b>						
The Company	49,555	6.97%	28,420	4%	N/A	N/A
The Bank	50,055	7.04%	28,456	4%	35,570	5%
<b>December 31, 2012:</b>						
<b>Total Capital to Risk Weighted Assets</b>						
The Company	\$ 57,894	13.51%	34,291	8%	\$ N/A	N/A
The Bank	55,315	12.88%	34,353	8%	42,941	10%
<b>Tier 1 Capital Risk Weighted Assets:</b>						

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The Company	49,530	11.56%	17,146	4%	N/A	N/A
The Bank	49,806	11.60%	17,176	4%	25,765	6%
Tier 1 Capital to Average Assets:						
The Company	49,530	7.05%	28,092	4%	N/A	N/A
The Bank	49,806	7.08%	28,120	4%	35,150	5%

**Table of Contents****NOTE 5 INVESTMENT SECURITIES:**

The amortized cost and estimated fair value of securities (all available-for-sale) are as follows:

(Dollars are in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
<b>March 31, 2013</b>				
U.S. Government Agencies	\$ 22,616	\$ 343	\$ 6	\$ 22,953
Taxable municipals				
Tax-exempt municipals				
Mortgage backed securities	31,142	140	106	31,176
<b>Total Securities AFS</b>	<b>\$ 53,758</b>	<b>\$ 483</b>	<b>\$ 112</b>	<b>\$ 54,129</b>
<b>December 31, 2012</b>				
U.S. Government Agencies	\$ 23,177	\$ 473	\$ 13	\$ 23,637
Taxable municipals				
Tax-exempt municipals				
Mortgage backed securities	25,822	210	54	25,978
<b>Total Securities AFS</b>	<b>\$ 48,999</b>	<b>\$ 683</b>	<b>\$ 67</b>	<b>\$ 49,615</b>

The following table details unrealized losses and related fair values in the available-for-sale portfolio. This information is aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2013 and December 31, 2012.

(Dollars are in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>March 31, 2013</b>						
U.S. Government Agencies	\$ 2,573	\$ 4	\$ 682	\$ 2	\$ 3,255	\$ 6
Mtg. backed securities	17,101	106			17,101	106
<b>Total Securities AFS</b>	<b>\$ 19,674</b>	<b>\$ 110</b>	<b>\$ 682</b>	<b>\$ 2</b>	<b>\$ 20,356</b>	<b>\$ 112</b>
<b>December 31, 2012</b>						
U.S. Government Agencies	\$ 2,931	\$ 13	\$	\$	\$ 2,931	\$ 13
Mtg. backed securities	7,491	54			7,491	54
<b>Total Securities AFS</b>	<b>\$ 10,422</b>	<b>\$ 67</b>	<b>\$</b>	<b>\$</b>	<b>\$ 10,422</b>	<b>\$ 67</b>

At March 31, 2013, the available-for-sale portfolio included twenty four investments for which the fair market value was less than amortized cost. At December 31, 2012, the available-for-sale portfolio included ten investments for which the fair market value was less than amortized cost. Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. No securities had an other than temporary impairment.

The amortized cost and fair value of investment securities at March 31, 2013, by contractual maturity, are shown in the following schedule. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without



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call or prepayment penalties.

(Dollars are in thousands)

Securities Available for Sale	Amortized Cost	Fair Value	Weighted Average Yield
Due in one year or less	\$	\$	%
Due after one year through five years	1,456	1,466	0.98%
Due after five years through fifteen years	12,094	12,145	1.55%
Due after fifteen years	40,208	40,518	1.78%
<b>Total</b>	<b>\$ 53,758</b>	<b>\$ 54,129</b>	<b>1.71%</b>

Investment securities with a carrying value of \$18.1 million and \$18.4 million at March 31, 2013 and December 31, 2012, were pledged to secure public deposits, overnight payment processing and for other purposes required by law.

The Bank, as a member of the Federal Reserve Bank and the Federal Home Loan Bank, is required to hold stock in each. These equity securities are restricted from trading and are recorded at a cost of \$2.7 million and \$2.8 million as of March 31, 2013 and December 31, 2012, respectively.

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Loans receivable outstanding are summarized as follows:

(Dollars are in thousands)	March 31, 2013	December 31, 2012
Real estate secured:		
Commercial	\$ 144,880	\$ 149,935
Construction and land development	22,945	24,327
Residential 1-4 family	240,514	240,201
Multifamily	13,343	12,567
Farmland	31,895	33,068
<b>Total real estate loans</b>	<b>453,577</b>	<b>460,098</b>
Commercial	25,995	28,314
Agriculture	4,457	4,328
Consumer installment loans	27,179	29,445
All other loans	168	178
<b>Total loans</b>	<b>\$ 511,376</b>	<b>\$ 522,363</b>

Loans receivable on nonaccrual status are summarized as follows:

(Dollars are in thousands)	March 31, 2013	December 31, 2012
Real estate secured:		
Commercial	\$ 14,496	\$ 16,308
Construction and land development	2,707	2,412
Residential 1-4 family	4,588	3,403
Multifamily	442	442
Farmland	6,359	7,750
<b>Total real estate loans</b>	<b>28,592</b>	<b>30,315</b>
Commercial	1,964	2,762
Agriculture	149	450
Consumer installment loans	59	9
All other loans		
<b>Total loans receivable on nonaccrual status</b>	<b>\$ 30,764</b>	<b>\$ 33,536</b>

Total interest income not recognized on nonaccrual loans for three months ended March 31, 2013 and 2012 was \$94 thousand and \$439 thousand, respectively.

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The following table presents information concerning the Company's investment in loans considered impaired as of March 31, 2013 and December 31, 2012:

<b>As of March 31, 2013</b>	Average Recorded Investment	Interest Income Recognized	Recorded Investment	Unpaid Principal Balance	Related Allowance
(Dollars are in thousands)					
<b>With no related allowance recorded:</b>					
Real estate secured:					
Commercial	\$ 18,525	\$ 136	\$ 16,661	\$ 17,292	\$
Construction and land development	3,339	18	2,918	7,776	
Residential 1-4 family	6,080	87	5,852	6,286	
Multifamily	1,063	22	1,198	1,268	
Farmland	3,832	16	3,289	3,756	
Commercial	1,315	9	1,519	1,825	
Agriculture	72	2	34	34	
Consumer installment loans	95	2	92	92	
All other loans					
With an allowance recorded:					
Real estate secured:					
Commercial	13,561	115	13,626	13,955	2,583
Construction and land development	533	9	272	394	18
Residential 1-4 family	3,074	27	2,317	2,332	337
Multifamily	1,074	2	119	119	12
Farmland	5,407	26	5,112	5,492	231
Commercial	1,117	(2)	353	455	161
Agriculture	239	3	125	125	10
Consumer installment loans	33	1	38		