

FIRST BANCORP /NC/
Form 10-Q
August 09, 2011

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, 2011

Commission File Number 0-15572

FIRST BANCORP
(Exact Name of Registrant as Specified in its Charter)

North Carolina
(State or Other Jurisdiction of
Incorporation or Organization)

56-1421916
(I.R.S. Employer
Identification Number)

341 North Main Street, Troy, North Carolina
(Address of Principal Executive Offices)

27371-0508
(Zip Code)

(Registrant's telephone number, including area code)

(910) 576-6171

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 twelve 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 website, 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 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
(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

The number of shares of the registrant's Common Stock outstanding on July 31, 2011 was 16,877,731.

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FIRST BANCORP AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS

Part I of this report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act, which statements are inherently subject to risks and uncertainties. Forward-looking statements are statements that include projections, predictions, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by the use of qualifying words (and their derivatives) such as “expect,” “believe,” “estimate,” “plan,” “project,” or other statements concerning our opinions or judgment about future events. Factors that could influence the accuracy of such forward-looking statements include, but are not limited to, the financial success or changing strategies of our customers, our level of success in integrating acquisitions, actions of government regulators, the level of market interest rates, and general economic conditions. For additional information that could affect the matters discussed in this paragraph, see the “Risk Factors” section of our 2010 Annual Report on Form 10-K.

IndexPart I. Financial Information
Item 1 - Financial StatementsFirst Bancorp and Subsidiaries
Consolidated Balance Sheets

| (\$ in thousands-unaudited) | June 30, 2011 | December 31, 2010 (audited) | June 30, 2010 |
|---|------------------|--------------------------------|------------------|
| ASSETS | | | |
| Cash and due from banks, noninterest-bearing | \$73,676 | 56,821 | 59,944 |
| Due from banks, interest-bearing | 163,414 | 154,320 | 148,539 |
| Federal funds sold | 1,157 | 861 | 5,091 |
| Total cash and cash equivalents | 238,247 | 212,002 | 213,574 |
| Securities available for sale | 171,844 | 181,182 | 163,317 |
| Securities held to maturity (fair values of \$59,860, \$53,312, and \$47,786) | 57,593 | 54,018 | 47,312 |
| Presold mortgages in process of settlement | 2,466 | 3,962 | 3,123 |
| Loans – non-covered | 2,040,714 | 2,083,004 | 2,099,099 |
| Loans – covered by FDIC loss share agreement | 401,726 | 371,128 | 455,477 |
| Total loans | 2,442,440 | 2,454,132 | 2,554,576 |
| Allowance for loan losses – non-covered | (34,465) | (38,275) | (42,215) |
| Allowance for loan losses – covered | (5,540) | (11,155) | |
| Total allowance for loan losses | (40,005) | (49,430) | (42,215) |
| Net loans | 2,402,435 | 2,404,702 | 2,512,361 |
| Premises and equipment | 68,898 | 67,741 | 54,026 |
| Accrued interest receivable | 12,000 | 13,579 | 12,975 |
| FDIC indemnification asset | 142,894 | 123,719 | 118,072 |
| Goodwill | 65,835 | 65,835 | 65,835 |
| Other intangible assets | 4,349 | 4,523 | 4,962 |
| Other real estate owned – non-covered | 31,849 | 21,081 | 14,690 |
| Other real estate owned – covered | 102,883 | 94,891 | 80,074 |
| Other | 32,456 | 31,697 | 28,021 |
| Total assets | \$3,333,749 | 3,278,932 | 3,318,342 |
| LIABILITIES | | | |
| Deposits: Demand - noninterest-bearing | \$323,223 | 292,759 | 293,555 |
| NOW accounts | 371,693 | 292,623 | 356,626 |
| Money market accounts | 499,286 | 500,360 | 494,979 |
| Savings accounts | 145,576 | 153,325 | 157,343 |
| Time deposits of \$100,000 or more | 765,787 | 762,990 | 782,663 |
| Other time deposits | 641,853 | 650,456 | 709,722 |
| Total deposits | 2,747,418 | 2,652,513 | 2,794,888 |
| Securities sold under agreements to repurchase | 68,608 | 54,460 | 61,766 |
| Borrowings | 138,796 | 196,870 | 76,579 |
| Accrued interest payable | 2,208 | 2,082 | 2,665 |

| | | | |
|---|-------------|-----------|-----------|
| Other liabilities | 24,421 | 28,404 | 33,706 |
| Total liabilities | 2,981,451 | 2,934,329 | 2,969,604 |
| Commitments and contingencies | – | – | – |
| SHAREHOLDERS' EQUITY | | | |
| Preferred stock, no par value per share. Authorized: 5,000,000 shares | | | |
| Issued and outstanding: 65,000 shares | 65,000 | 65,000 | 65,000 |
| Discount on preferred stock | (2,474) | (2,932) | (3,361) |
| Common stock, no par value per share. Authorized: 40,000,000 shares | | | |
| Issued and outstanding: 16,862,536, 16,801,426, and 16,770,119 shares | 100,549 | 99,615 | 98,973 |
| Common stock warrants | 4,592 | 4,592 | 4,592 |
| Retained earnings | 188,737 | 183,413 | 186,552 |
| Accumulated other comprehensive income (loss) | (4,106) | (5,085) | (3,018) |
| Total shareholders' equity | 352,298 | 344,603 | 348,738 |
| Total liabilities and shareholders' equity | \$3,333,749 | 3,278,932 | 3,318,342 |

See notes to consolidated financial statements.

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First Bancorp and Subsidiaries
Consolidated Statements of Income

| (\$ in thousands, except share data-unaudited) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|----------|---------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| INTEREST INCOME | | | | |
| Interest and fees on loans | \$ 38,464 | 37,609 | 75,271 | 75,827 |
| Interest on investment securities: | | | | |
| Taxable interest income | 1,463 | 1,579 | 2,895 | 3,109 |
| Tax-exempt interest income | 499 | 409 | 999 | 763 |
| Other, principally overnight investments | 103 | 121 | 193 | 328 |
| Total interest income | 40,529 | 39,718 | 79,358 | 80,027 |
| INTEREST EXPENSE | | | | |
| Savings, NOW and money market | 1,103 | 1,664 | 2,333 | 3,528 |
| Time deposits of \$100,000 or more | 2,661 | 3,182 | 5,265 | 6,654 |
| Other time deposits | 1,767 | 2,825 | 3,936 | 6,049 |
| Securities sold under agreements to repurchase | 48 | 70 | 98 | 184 |
| Borrowings | 470 | 441 | 932 | 899 |
| Total interest expense | 6,049 | 8,182 | 12,564 | 17,314 |
| Net interest income | 34,480 | 31,536 | 66,794 | 62,713 |
| Provision for loan losses – non-covered | 7,607 | 8,003 | 15,177 | 15,626 |
| Provision for loan losses – covered | 3,327 | | 7,100 | |
| Total provision for loan losses | 10,934 | 8,003 | 22,277 | 15,626 |
| Net interest income after provision for loan losses | 23,546 | 23,533 | 44,517 | 47,087 |
| NONINTEREST INCOME | | | | |
| Service charges on deposit accounts | 3,655 | 3,593 | 6,609 | 7,058 |
| Other service charges, commissions and fees | 1,709 | 1,378 | 3,315 | 2,755 |
| Fees from presold mortgages | 346 | 440 | 641 | 812 |
| Commissions from sales of insurance and financial products | 409 | 340 | 764 | 762 |
| Gain from acquisition | | | 10,196 | |
| Foreclosed property losses and write-downs – non-covered | (271) | (96) | (1,624) | (51) |
| Foreclosed property losses and write-downs – covered | (2,583) | (5,495) | (7,517) | (5,495) |
| FDIC indemnification asset income, net | 1,826 | 4,396 | 6,866 | 4,396 |
| Securities gains | 60 | 15 | 74 | 24 |
| Other gains (losses) | (37) | (34) | (17) | (30) |
| Total noninterest income | 5,114 | 4,537 | 19,307 | 10,231 |
| NONINTEREST EXPENSES | | | | |
| Salaries | 9,694 | 8,735 | 19,405 | 17,351 |
| Employee benefits | 2,954 | 2,589 | 6,156 | 5,073 |
| Total personnel expense | 12,648 | 11,324 | 25,561 | 22,424 |
| Net occupancy expense | 1,598 | 1,752 | 3,270 | 3,640 |
| Equipment related expenses | 1,110 | 1,063 | 2,172 | 2,202 |
| Intangibles amortization | 226 | 220 | 450 | 435 |

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| | | | | |
|---|------------|------------|------------|------------|
| Merger expenses | 243 | | 594 | |
| Other operating expenses | 7,088 | 7,598 | 15,909 | 15,536 |
| Total noninterest expenses | 22,913 | 21,957 | 47,956 | 44,237 |
| Income before income taxes | 5,747 | 6,113 | 15,868 | 13,081 |
| Income taxes | 2,021 | 2,172 | 5,767 | 4,702 |
| Net income | 3,726 | 3,941 | 10,101 | 8,379 |
| Preferred stock dividends and accretion | (1,041) | (1,026) | (2,083) | (2,053) |
| Net income available to common shareholders | \$ 2,685 | 2,915 | 8,018 | 6,326 |
| Earnings per common share: | | | | |
| Basic | \$ 0.16 | 0.17 | 0.48 | 0.38 |
| Diluted | 0.16 | 0.17 | 0.48 | 0.38 |
| Dividends declared per common share | \$ 0.08 | 0.08 | 0.16 | 0.16 |
| Weighted average common shares outstanding: | | | | |
| Basic | 16,841,289 | 16,751,962 | 16,827,615 | 16,742,240 |
| Diluted | 16,868,571 | 16,784,126 | 16,855,027 | 16,772,969 |

See notes to consolidated financial statements.

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First Bancorp and Subsidiaries
Consolidated Statements of Comprehensive Income

| (\$ in thousands-unaudited) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------|------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | \$3,726 | 3,941 | 10,101 | 8,379 |
| Other comprehensive income (loss): | | | | |
| Unrealized gains on securities available for sale: | | | | |
| Unrealized holding gains arising during the period, pretax | 1,198 | 1,190 | 1,387 | 2,085 |
| Tax benefit | (467) | (464) | (541) | (813) |
| Reclassification to realized gains | (60) | (15) | (74) | (24) |
| Tax expense | 23 | 5 | 29 | 9 |
| Postretirement Plans: | | | | |
| Amortization of unrecognized net actuarial loss | 140 | 117 | 280 | 234 |
| Tax expense | (56) | (46) | (112) | (92) |
| Amortization of prior service cost and transition obligation | 9 | 9 | 18 | 18 |
| Tax expense | (4) | (4) | (8) | (8) |
| Other comprehensive income | 783 | 792 | 979 | 1,409 |
| Comprehensive income | \$4,509 | 4,733 | 11,080 | 9,788 |

See notes to consolidated financial statements.

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First Bancorp and Subsidiaries
Consolidated Statements of Shareholders' Equity

| (In thousands, except per share – unaudited) | Preferred Stock | Stock Discount | Common Stock Shares | Common Stock Amount | Common Stock Warrants | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Share- holders' Equity |
|--|--------------------|-------------------|------------------------|---------------------------|-----------------------------|----------------------|---|---------------------------------------|
| Balances, January 1, 2010 | \$ 65,000 | (3,789) | 16,722 | \$ 98,099 | 4,592 | 182,908 | (4,427) | 342,383 |
| Net income | | | | | | 8,379 | | 8,379 |
| Common stock issued under stock option plans | | | 17 | 171 | | | | 171 |
| Common stock issued into dividend reinvestment plan | | | 15 | 226 | | | | 226 |
| Cash dividends declared (\$0.16 per common share) | | | | | | (2,682) | | (2,682) |
| Preferred dividends | | | | | | (1,625) | | (1,625) |
| Accretion of preferred stock discount | | 428 | | | | (428) | | – |
| Tax benefit realized from exercise of nonqualified stock options | | | | 36 | | | | 36 |
| Stock-based compensation | | | 16 | 441 | | | | 441 |
| Other comprehensive income | | | | | | | 1,409 | 1,409 |
| Balances, June 30, 2010 | \$ 65,000 | (3,361) | 16,770 | \$ 98,973 | 4,592 | 186,552 | (3,018) | 348,738 |
| Balances, January 1, 2011 | \$ 65,000 | (2,932) | 16,801 | \$ 99,615 | 4,592 | 183,413 | (5,085) | 344,603 |
| Net income | | | | | | 10,101 | | 10,101 |
| Common stock issued under stock option plans | | | 2 | 30 | | | | |