

FIRST BANCORP /NC/  
Form 10-Q  
November 09, 2015

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 September 30, 2015

Commission File Number 0-15572

**FIRST BANCORP**

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(Exact Name of Registrant as Specified in its Charter)

North Carolina  
(State or Other Jurisdiction of

56-1421916  
(I.R.S. Employer

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Incorporation or Organization)	Identification Number)
300 SW Broad St., Southern Pines, North Carolina (Address of Principal Executive Offices)	28387 (Zip Code)
(Registrant's telephone number, including area code)	(910) 246-2500

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. x  
YES      o 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). x  
YES      o 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

The number of shares of the registrant's Common Stock outstanding on October 31, 2015 was 19,785,314.

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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 of 1995, 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. Further, forward-looking statements are intended to speak only as of the date made. 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. Our actual results may differ materially from those anticipated in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors which are beyond our control. 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 about factors that could affect the matters discussed in this paragraph, see the “Risk Factors” section of our 2014 Annual Report on Form 10-K.

Index**Part I. Financial Information**

## Item 1 - Financial Statements

**First Bancorp and Subsidiaries****Consolidated Balance Sheets**

(\$ in thousands)	September 30, 2015	December 31, 2014 (audited)	September 30, 2014
<b>ASSETS</b>			
Cash and due from banks, noninterest-bearing	\$52,788	81,068	84,128
Due from banks, interest-bearing	165,271	171,248	251,111
Federal funds sold	730	768	1,275
Total cash and cash equivalents	218,789	253,084	336,514
Securities available for sale	178,765	158,018	153,238
Securities held to maturity (fair values of \$162,858, \$182,411, and \$57,601)	160,048	178,687	53,821
Presold mortgages in process of settlement	3,150	6,019	5,761
Loans – non-covered	2,375,094	2,268,580	2,292,841
Loans – covered by FDIC loss share agreement	106,609	127,594	133,249
Total loans	2,481,703	2,396,174	2,426,090
Allowance for loan losses – non-covered	(28,155 )	(38,345 )	(41,564 )
Allowance for loan losses – covered	(1,900 )	(2,281 )	(2,567 )
Total allowance for loan losses	(30,055 )	(40,626 )	(44,131 )
Net loans	2,451,648	2,355,548	2,381,959
Premises and equipment	74,839	75,113	74,871
Accrued interest receivable	9,008	8,920	8,885
FDIC indemnification asset	7,649	22,569	25,328
Goodwill	65,835	65,835	65,835
Other intangible assets	1,516	2,058	2,252
Foreclosed real estate – non-covered	9,304	9,771	11,705
Foreclosed real estate – covered	1,569	2,350	3,237
Bank-owned life insurance	56,557	55,421	44,996
Other assets	34,164	24,990	27,209
Total assets	\$3,272,841	3,218,383	3,195,611
<b>LIABILITIES</b>			
Deposits: Noninterest bearing checking accounts	\$635,287	560,230	540,349
Interest bearing checking accounts	609,908	583,903	538,815
Money market accounts	584,490	551,002	548,832

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Savings accounts	187,607	180,317	178,260
Time deposits of \$100,000 or more	381,895	470,066	503,125
Other time deposits	308,566	350,388	369,631
Total deposits	2,707,753	2,695,906	2,679,012
Borrowings	176,394	116,394	116,394
Accrued interest payable	588	686	695
Other liabilities	16,932	17,698	14,695
Total liabilities	2,901,667	2,830,684	2,810,796
Commitments and contingencies			
SHAREHOLDERS' EQUITY			
Preferred stock, no par value per share. Authorized: 5,000,000 shares			
Series B issued & outstanding: 31,500, 63,500, and 63,500 shares	31,500	63,500	63,500
Series C, convertible, issued & outstanding: 728,706, 728,706, and 728,706 shares	7,287	7,287	7,287
Common stock, no par value per share. Authorized: 40,000,000 shares			
Issued & outstanding: 19,785,314, 19,709,881, and 19,705,381 shares	133,211	132,532	132,440
Retained earnings	199,886	184,958	179,656
Accumulated other comprehensive income (loss)	(710 )	(578 )	1,932
Total shareholders' equity	371,174	387,699	384,815
Total liabilities and shareholders' equity	\$3,272,841	3,218,383	3,195,611

*See accompanying notes to consolidated financial statements.*

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(\$ in thousands, except share data-unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>INTEREST INCOME</b>				
Interest and fees on loans	\$29,863	32,019	88,257	102,481
Interest on investment securities:				
Taxable interest income	1,670	646	4,693	2,523
Tax-exempt interest income	455	470	1,375	1,411
Other, principally overnight investments	142	239	523	590
Total interest income	32,130	33,374	94,848	107,005
<b>INTEREST EXPENSE</b>				
Savings, checking and money market accounts	292	263	842	774
Time deposits of \$100,000 or more	657	1,058	2,236	3,413
Other time deposits	308	408	977	1,283
Borrowings	487	302	1,099	849
Total interest expense	1,744	2,031	5,154	6,319
Net interest income	30,386	31,343	89,694	100,686
Provision for loan losses – non-covered	267	1,279	1,372	5,802
Provision (reversal) for loan losses – covered	(1,681)	) 206	(2,109)	) 2,917
Total provision (reversal) for loan losses	(1,414)	) 1,485	(737)	) 8,719
Net interest income after provision for loan losses	31,800	29,858	90,431	91,967
<b>NONINTEREST INCOME</b>				
Service charges on deposit accounts	2,951	3,426	8,724	10,445
Other service charges, commissions and fees	2,778	2,538	8,091	7,467
Fees from presold mortgage loans	481	807	2,020	2,204
Commissions from sales of insurance and financial products	691	685	1,917	1,985
Bank-owned life insurance income	382	311	1,136	956
Foreclosed property gains (losses) – non-covered	(857)	) (757)	) (1,932)	) (1,464)
Foreclosed property gains (losses) – covered	(82)	) 773	410	) (2,517)
FDIC indemnification asset income (expense), net	(2,865)	) (3,210)	) (7,085)	) (9,704)
Securities gains (losses)	(1)	) —	(1)	) 786
Other gains (losses)	28	35	(241)	) (282)
Total noninterest income	3,506	4,608	13,039	9,876
<b>NONINTEREST EXPENSES</b>				
Salaries	12,378	11,773	35,456	34,787
Employee benefits	2,221	2,550	6,702	7,147
Total personnel expense	14,599	14,323	42,158	41,934

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Net occupancy expense	1,823	1,863	5,504	5,547
Equipment related expenses	900	953	2,805	2,905
Intangibles amortization	181	194	541	582
Other operating expenses	7,111	8,598	21,620	23,294
Total noninterest expenses	24,614	25,931	72,628	74,262
Income before income taxes	10,692	8,535	30,842	27,581
Income tax expense	3,687	2,956	10,605	9,680
Net income	7,005	5,579	20,237	17,901
Preferred stock dividends	(137 )	(217 )	(566 )	(651 )
Net income available to common shareholders	\$6,868	5,362	19,671	17,250
Earnings per common share:				
Basic	\$0.35	0.27	1.00	0.88
Diluted	0.34	0.27	0.97	0.85
Dividends declared per common share	\$0.08	0.08	0.24	0.24
Weighted average common shares outstanding:				
Basic	19,781,789	19,705,514	19,760,807	19,697,426
Diluted	20,512,959	20,437,739	20,491,973	20,431,836

*See accompanying notes to consolidated financial statements.*



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**First Bancorp and Subsidiaries**

**Consolidated Statements of Comprehensive Income**

Three Months Ended  
September 30, &nb