

FIRST COMMUNITY BANKSHARES INC /VA/
Form 10-Q
November 02, 2018

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**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,
2018**
or

**TRANSITION
REPORT
PURSUANT
TO SECTION
13 OR 15(d)
OF THE
SECURITIES
EXCHANGE
ACT OF 1934**

Commission file
number:
000-19297

**FIRST
COMMUNITY
BANKSHARES,
INC.**

(Exact name of registrant as specified in its charter)

Virginia 55-0694814

(State

or

other (IRS

jurisdiction Employer

of Identification

incorporation No.)

or

organization)

P.O.

Box

989

24605-0989

Bluefield,

Virginia

(Address

of

principal (Zip Code)

executive

offices)

(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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended

transition
period for
complying
with any
new or
revised
financial
accounting
standards
provided
pursuant to
Section
13(a) of the
Exchange
Act.

Indicate by
check mark
whether the
registrant is
a shell
company
(as defined
in Rule
12b-2 of the
Exchange
Act).

Yes No

As of
October 26,
2018, there
were
16,285,370
shares
outstanding
of the
registrant's
Common
Stock,
\$1.00 par
value.

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COMMUNITY
BANKSHARES,
INC.
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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Forward-looking statements in filings with the Securities and Exchange Commission, including this Quarterly Report on Form 10-Q and the accompanying Exhibits, filings incorporated by reference, reports to shareholders, and other communications that represent the Company's beliefs, plans, objectives, goals, guidelines, expectations, anticipations, estimates, and intentions are made in good faith pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," and other similar expressions identify forward-looking statements. The following factors, among others, could cause financial performance to differ materially from that expressed in such forward-looking statements:

- the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations;
- the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Federal Reserve System;
- inflation, interest rate, market and monetary fluctuations;
- timely development of competitive new products and services and the acceptance of these products and services by new and existing customers;
- the willingness of customers to substitute competitors' products and services for the Company's products and services and vice versa;
- the impact of changes in financial services laws and regulations, including laws about taxes, banking, securities, and insurance, and the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- the impact of the U.S. Department of the Treasury and federal banking regulators' continued implementation of programs to address capital and liquidity in the banking system;
- further, future, and proposed rules, including those that are part of the process outlined in the Basel Committee on Banking Supervision's "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems," which require banking institutions to increase levels of capital;
- technological changes;
- the effect of acquisitions, including, without limitation, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions;
- the growth and profitability of noninterest, or fee, income being less than expected;
- unanticipated regulatory or judicial proceedings;
- changes in consumer spending and saving habits; and
- the Company's success at managing the risks mentioned above.

This list of important factors is not exclusive. If one or more of the factors affecting these forward-looking statements proves incorrect, actual results, performance, or achievements could differ materially from those expressed in, or implied by, forward-looking statements contained in this Quarterly Report on Form 10-Q and other reports we file with the Securities and Exchange Commission. Therefore, the Company cautions you not to place undue reliance on forward-looking information and statements. The Company does not intend to update any forward-looking statements, whether written or oral, to reflect changes. These cautionary statements expressly qualify all forward-looking statements that apply to the Company including the risk factors presented in Part II, Item 1A, "Risk Factors," of this

report and Part I, Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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COMMUNITY
BANKSHARES,
INC.
CONDENSED
CONSOLIDATED
BALANCE
SHEETS**

	September 30, 2018	December 31, 2017⁽¹⁾
	(Unaudited)	
<i>(Amounts in thousands, except share and per share data)</i>		
Assets		
Cash and due from banks	\$44,719	\$37,115
Federal funds sold	27,965	119,891
Interest-bearing deposits in banks	995	945
Total cash and cash equivalents	73,679	157,951
Debt securities available for sale	163,593	165,525
Debt securities held to maturity	25,047	25,149
Loans held for investment, net of unearned income (including covered loans of \$20,483 and \$27,948)	1,790,909	1,817,184
Allowance for loan losses	(18,256)	(19,276)
Loans held for investment, net	1,772,653	1,797,908
FDIC indemnification asset	5,653	7,161
Premises and equipment, net	45,537	48,126
Other real estate owned (including covered OREO of \$44 and \$105)	4,798	2,514
Interest receivable	5,374	5,778
Goodwill	94,287	95,779
Other intangible assets	5,366	6,151
Other assets	73,701	76,418
Total assets	\$2,269,688	\$2,388,460
Liabilities		
Deposits		
Noninterest-bearing	\$463,945	\$454,143
Interest-bearing	1,411,906	1,475,748
Total deposits	1,875,851	1,929,891
Securities sold under agreements to repurchase	30,151	30,086
FHLB borrowings	-	50,000

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Interest, taxes, and other liabilities	25,284	27,769
Total liabilities	1,931,286	2,037,746
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; none outstanding	-	-
Common stock, \$1 par value; 50,000,000 shares authorized; 21,381,779 shares issued at September 30, 2018, and December 31, 2017; 4,991,277 and 4,383,553 shares in treasury at September 30, 2018, and December 31, 2017, respectively	21,382	21,382
Additional paid-in capital	229,182	228,750
Retained earnings	189,902	180,543
Treasury stock, at cost	(99,247)	(79,121)
Accumulated other comprehensive loss	(2,817)	(840)
Total stockholders' equity	338,402	350,714
Total liabilities and stockholders' equity	\$2,269,688	\$2,388,460
(1) Derived from audited financial statements		

See Notes to Condensed Consolidated Financial Statements.

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**FIRST
COMMUNITY
BANKSHARES,
INC.
CONDENSED
CONSOLIDATED
STATEMENTS
OF INCOME
(UNAUDITED)**

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	2018	2017	2018	2017
<i>(Amounts in thousands, except share and per share data)</i>				
Interest income				
Interest and fees on loans	\$22,556	\$22,694	\$67,733	\$67,435
Interest on securities -- taxable	666	341	1,704	1,157
Interest on securities -- tax-exempt	706	739	2,133	2,299
Interest on deposits in banks	358	275	1,343	655
Total interest income	24,286	24,049		