

FIRST BANCORP /NC/  
Form 10-Q  
August 11, 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

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  
Incorporation or Organization)

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

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300 SW Broad Street, Southern Pines, North Carolina 28387  
(Address of Principal Executive Offices) (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.  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, 2014 was 19,705,381.

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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 2013 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC).

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## Item 1 - Financial Statements

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

(\$ in thousands-unaudited)	June 30, 2014	December 31, 2013 (audited)	June 30, 2013
<b>ASSETS</b>			
Cash and due from banks, noninterest-bearing	\$92,633	83,881	82,798
Due from banks, interest-bearing	313,141	136,644	154,199
Federal funds sold	1,508	2,749	603
Total cash and cash equivalents	407,282	223,274	237,600
Securities available for sale	124,078	173,041	186,634
Securities held to maturity (fair values of \$57,612, \$56,700, and \$58,376)	53,879	53,995	54,361
Presold mortgages in process of settlement	5,926	5,422	4,552
Loans – non-covered	2,257,530	2,252,885	2,190,583
Loans – covered by FDIC loss share agreement	176,855	210,309	240,279
Total loans	2,434,385	2,463,194	2,430,862
Allowance for loan losses – non-covered	(41,966 )	(44,263 )	(44,816 )
Allowance for loan losses – covered	(3,830 )	(4,242 )	(6,035 )
Total allowance for loan losses	(45,796 )	(48,505 )	(50,851 )
Net loans	2,388,589	2,414,689	2,380,011
Premises and equipment	76,705	77,448	77,597
Accrued interest receivable	8,795	9,649	9,780
FDIC indemnification asset	29,406	48,622	92,950
Goodwill	65,835	65,835	65,835
Other intangible assets	2,446	2,834	3,274
Foreclosed real estate – non-covered	9,346	12,251	15,425
Foreclosed real estate – covered	9,934	24,497	32,005
Bank-owned life insurance	44,685	44,040	43,276
Other assets	39,593	29,473	44,110
Total assets	\$3,266,499	3,185,070	3,247,410
<b>LIABILITIES</b>			
Deposits: Noninterest bearing checking accounts	\$525,332	482,650	454,785
Interest bearing checking accounts	551,577	557,413	546,203
Money market accounts	558,373	551,335	564,837

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Savings accounts	175,084	169,023	166,497
Time deposits of \$100,000 or more	554,537	564,527	612,912
Other time deposits	389,676	426,071	473,119
Total deposits	2,754,579	2,751,019	2,818,353
Borrowings	116,394	46,394	46,394
Accrued interest payable	778	879	1,071
Other liabilities	13,655	14,856	21,487
Total liabilities	2,885,406	2,813,148	2,887,305
Commitments and contingencies			
SHAREHOLDERS' EQUITY			
Preferred stock, no par value per share. Authorized: 5,000,000 shares			
Series B issued & outstanding: 63,500, 63,500, and 63,500 shares	63,500	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: 19,705,381, 19,679,659, and 19,679,659 shares	132,417	132,099	132,097
Retained earnings	175,871	167,136	158,708
Accumulated other comprehensive income (loss)	2,018	1,900	(1,487 )
Total shareholders' equity	381,093	371,922	360,105
Total liabilities and shareholders' equity	\$3,266,499	3,185,070	3,247,410

*See accompanying notes to consolidated financial statements.*

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(\$ in thousands, except share data-unaudited)	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
<b>INTEREST INCOME</b>				
Interest and fees on loans	\$34,376	37,030	70,462	70,581
Interest on investment securities:				
Taxable interest income	876	824	1,877	1,729
Tax-exempt interest income	471	477	941	956
Other, principally overnight investments	232	173	351	327
Total interest income	35,955	38,504	73,631	73,593
<b>INTEREST EXPENSE</b>				
Savings, checking and money market accounts	259	381	511	891
Time deposits of \$100,000 or more	1,172	1,546	2,355	3,159
Other time deposits	419	719	875	1,508
Borrowings	297	256	547	512
Total interest expense	2,147	2,902	4,288	6,070
Net interest income	33,808	35,602	69,343	67,523
Provision for loan losses – non-covered	1,158	4,043	4,523	9,814
Provision for loan losses – covered	2,501	1,548	2,711	6,926
Total provision for loan losses	3,659	5,591	7,234	16,740
Net interest income after provision for loan losses	30,149	30,011	62,109	50,783
<b>NONINTEREST INCOME</b>				
Service charges on deposit accounts	3,446	3,254	7,019	6,189
Other service charges, commissions and fees	2,562	2,340	4,929	4,515
Fees from presold mortgage loans	790	820	1,397	1,567
Commissions from sales of insurance and financial products	706	579	1,300	978
Bank-owned life insurance income	318	212	645	420
Foreclosed property gains (losses) – non-covered	(551)	) 777	(707)	) 1,535
Foreclosed property gains (losses) – covered	(1,173)	) (520)	) (3,290)	) (5,136)
FDIC indemnification asset income (expense), net	(1,578)	) (3,407)	) (6,494)	) 1,490
Securities gains	786	7	786	7
Other gains (losses)	(336)	) 425	(317)	) 30
Total noninterest income	4,970	4,487	5,268	11,595
<b>NONINTEREST EXPENSES</b>				
Salaries	11,366	11,003	23,014	21,680
Employee benefits	2,286	2,546	4,597	5,173
Total personnel expense	13,652	13,549	27,611	26,853
Net occupancy expense	1,804	1,759	3,684	3,433
Equipment related expenses	1,024	1,106	1,952	2,194

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Intangibles amortization	194	220	388	419
Other operating expenses	8,106	9,122	14,696	16,081
Total noninterest expenses	24,780	25,756	48,331	48,980
Income before income taxes	10,339	8,742	19,046	13,398
Income tax expense	3,693	3,154	6,724	4,710
Net income	6,646	5,588	12,322	8,688
Preferred stock dividends	(217 )	(217 )	(434 )	(462 )
Net income available to common shareholders	\$6,429	5,371	11,888	8,226
Earnings per common share:				
Basic	\$0.33	0.27	0.60	0.42
Diluted	0.32	0.27	0.59	0.41
Dividends declared per common share	\$0.08	0.08	0.16	0.16
Weighted average common shares outstanding:				
Basic	19,698,581	19,673,634	19,693,382	19,671,468
Diluted	20,434,263	20,415,103	20,428,861	20,412,456

*See accompanying notes to consolidated financial statements.*