

PEOPLES BANCORP OF NORTH CAROLINA INC  
Form 10-Q  
August 10, 2012

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, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

PEOPLES BANCORP OF NORTH CAROLINA, INC.  
(Exact name of registrant as specified in its charter)

North Carolina  
(State or other jurisdiction of incorporation or organization)

000-27205  
(Commission File No.)

56-2132396  
(IRS Employer Identification No.)

518 West C Street, Newton, North Carolina  
(Address of principal executive offices)

28658  
(Zip Code)

(828) 464-5620  
(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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerate  
Filer

Accelerated  
Filer

Non-Accelerated  
Filer

Smaller Reporting Company  X

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

Yes No  X

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

5,544,160 shares of common stock, outstanding at July 31, 2012.

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Statements made in this Form 10-Q, other than those concerning historical information, should be considered forward-looking statements pursuant to the safe harbor provisions of the Securities Exchange Act of 1934 and the Private Securities Litigation Act of 1995. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management and on the information available to management at the time that this Form 10-Q was prepared. These statements can be identified by the use of words like “expect,” “anticipate,” “estimate,” and “believe,” variations of these words and other similar expressions. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, (1) competition in the markets served by Peoples Bank, (2) changes in the interest rate environment, (3) general national, regional or local economic conditions may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and the possible impairment of collectibility of loans, (4) legislative or regulatory changes, including changes in accounting standards, (5) significant changes in the federal and state legal and regulatory environments and tax laws, (6) the impact of changes in monetary and fiscal policies, laws, rules and regulations and (7) other risks and factors identified in other filings with the Securities and Exchange Commission, including but not limited to those described in Peoples Bancorp of North Carolina, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2011.

## PART FINANCIAL INFORMATION

## I.

## Item 1. Financial Statements

## PEOPLES BANCORP OF NORTH CAROLINA, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

(Dollars in thousands)

Assets	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
Cash and due from banks, including reserve requirements of \$9,265 in 2012 and \$8,492 in 2011	\$ 25,350	22,532
Interest bearing deposits	44,127	6,704
Cash and cash equivalents	69,477	29,236
Investment securities available for sale	280,735	321,388
Other investments	5,734	5,712
Total securities	286,469	327,100
Mortgage loans held for sale	3,753	5,146
Loans	642,815	670,497
Less allowance for loan losses	(16,640 )	(16,604 )
Net loans	626,175	653,893
Premises and equipment, net	16,342	16,896
Cash surrender value of life insurance	13,040	12,835
Other real estate	6,505	7,576
Accrued interest receivable and other assets	13,328	14,381
Total assets	\$ 1,035,089	1,067,063
<b>Liabilities and Shareholders' Equity</b>		
<b>Deposits:</b>		
Non-interest bearing demand	\$ 147,825	136,878
NOW, MMDA & savings	353,076	366,133
Time, \$100,000 or more	156,974	193,045
Other time	122,671	131,055
Total deposits	780,546	827,111
Securities sold under agreements to repurchase	50,510	39,600
FHLB borrowings	70,000	70,000

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Junior subordinated debentures	20,619	20,619
Accrued interest payable and other liabilities	18,574	6,706
Total liabilities	940,249	964,036
Commitments		
Shareholders' equity:		
Series A preferred stock, \$1,000 stated value; authorized 5,000,000 shares; issued and outstanding 12,524 shares in 2012 and 25,054 shares in 2011		
	12,298	24,758
Common stock, no par value; authorized 20,000,000 shares; issued and outstanding 5,544,160 shares in 2012 and 2011		
	48,298	48,298
Retained earnings	29,617	26,895
Accumulated other comprehensive income	4,627	3,076
Total shareholders' equity	94,840	103,027
Total liabilities and shareholders' equity	\$ 1,035,089	1,067,063

See accompanying Notes to Consolidated Financial Statements.

PEOPLES BANCORP OF NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

Three and six months ended June 30, 2012 and 2011

(Dollars in thousands, except per share amounts)

Three months ended  
June 30,

Six months ended