

NATIONAL BANKSHARES INC
Form 10-Q
August 06, 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

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

For the transition period from _____ to _____

Commission File Number 0-15204

NATIONAL BANKSHARES, INC.

(Exact name of registrant as specified in its charter)

Virginia

54-1375874

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

101 Hubbard Street

P. O. Box 90002

Blacksburg, VA 24062-9002
(Address of principal executive offices) (Zip Code)

(540) 951-6300

(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, 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.

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

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

<u>Class</u>	<u>Outstanding at August 1, 2014</u>
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Common Stock, \$1.25 Par Value	6,947,974
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(This report contains 55 pages)

NATIONAL BANKSHARES, INC. AND SUBSIDIARIES

Form 10-Q

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Part I**Item 1. Financial Statements Financial Information**

National Bankshares, Inc. and Subsidiaries
Consolidated Balance Sheets

\$ in thousands, except per share data	(Unaudited)	
	June 30, 2014	December 31, 2013
Assets		
Cash and due from banks	\$ 15,917	\$ 13,283
Interest-bearing deposits	106,112	98,066
Securities available for sale, at fair value	195,407	181,712
Securities held to maturity (fair value approximates \$166,182 at June 30, 2014 and \$159,337 at December 31, 2013)	162,956	163,983
Restricted stock, at cost	1,089	1,414
Mortgage loans held for sale	383	1,276
Loans:		
Loans, net of unearned income and deferred fees	593,400	595,690
Less allowance for loan losses	(7,971)	(8,227)
Loans, net	585,429	587,463
Premises and equipment, net	9,482	9,951
Accrued interest receivable	5,798	5,949
Other real estate owned, net	5,293	4,712
Intangible assets and goodwill	7,761	8,299
Bank-owned life insurance	21,491	21,181
Other assets	11,361	13,341
Total assets	\$ 1,128,479	\$ 1,110,630
Liabilities and Stockholders' Equity		
Noninterest-bearing demand deposits	\$ 146,727	\$ 142,645
Interest-bearing demand deposits	510,304	501,541
Savings deposits	79,255	74,141
Time deposits	231,177	241,709
Total deposits	967,463	960,036
Accrued interest payable	71	92
Other liabilities	4,149	4,610
Total liabilities	971,683	964,738
Commitments and contingencies	---	---
Stockholders' Equity		
Preferred stock, no par value, 5,000,000 shares authorized; none issued and outstanding	---	---
Common stock of \$1.25 par value. Authorized 10,000,000 shares; issued and outstanding 6,947,974 shares at June 30, 2014 and December 31, 2013	8,685	8,685

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Retained earnings	158,863	154,171
Accumulated other comprehensive loss, net	(10,752)	(16,964)
Total stockholders' equity	156,796	145,892
Total liabilities and stockholders' equity	\$ 1,128,479	\$ 1,110,630

See accompanying notes to consolidated financial statements.

National Bankshares, Inc. and Subsidiaries

Consolidated Statements of Income

Three Months Ended June 30, 2014 and 2013

(Unaudited)

\$ in thousands, except per share data	June 30, 2014	June 30, 2013
Interest Income		
Interest and fees on loans	\$7,819	\$8,192
Interest on interest-bearing deposits	64	58
Interest on securities – taxable	1,697	1,694
Interest on securities – nontaxable	1,474	1,618
Total interest income	11,054	11,562
Interest Expense		
Interest on time deposits of \$100 or more	145	230
Interest on other deposits	1,150	1,318
Total interest expense	1,295	1,548
Net interest income	9,759	10,014
Provision for loan losses	701	355
Net interest income after provision for loan losses	9,058	9,659
Noninterest Income		
Service charges on deposit accounts	607	625
Other service charges and fees	38	42
Credit card fees	961	853
Trust income	332	311
BOLI income	177	176
Other income	229	223
Realized securities gains, net	---	9
Total noninterest income	2,344	2,239
Noninterest Expense		
Salaries and employee benefits	3,007	2,992
Occupancy and furniture and fixtures	417	404
Data processing and ATM	394	418
FDIC assessment	117	136
Credit card processing	665	646
Intangible assets amortization	269	269
Net costs of other real estate owned	84	65
Franchise taxes	287	265
Other operating expenses	820	942
Total noninterest expense	6,060	6,137
Income before income taxes	5,342	5,761
Income tax expense	1,233	1,326

Net Income	\$4,109	\$4,435
Basic net income per common share	\$0.59	\$0.64
Fully diluted net income per common share	\$0.59	\$0.64
Weighted average number of common shares outstanding – basic	6,947,974	6,947,974
Weighted average number of common shares outstanding – diluted	6,960,683	6,968,348
Dividends declared per common share	\$0.55	\$0.54

See accompanying notes to consolidated financial statements.

National Bankshares, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

Three Months Ended June 30, 2014 and 2013

(Unaudited)

\$ in thousands	June 30, 2014	June 30, 2013	
Net Income	\$ 4,109	\$ 4,435	
Other Comprehensive Income (Loss), Net of Tax			
Unrealized holding gains (losses) on available for sale securities net of tax of \$1,664 and (\$4,577) for the periods ended June 30, 2014 and 2013, respectively	3,091	(8,500)
Reclassification adjustment, net of tax of \$0 and (\$3) for the periods ended June 30, 2014 and 2013, respectively	---	(6)
Other comprehensive income (loss), net of tax of \$1,664 and (\$4,580) for the periods ended June 30, 2014 and 2013, respectively	3,091	(8,506)
Total Comprehensive Income (Loss)	\$ 7,200	\$ (4,071)

See accompanying notes to consolidated financial statements.

National Bankshares, Inc. and Subsidiaries

Consolidated Statements of Income

Six Months Ended June 30, 2014 and 2013

(Unaudited)

	June 30, 2014	June 30, 2013
\$ in thousands, except per share data		
Interest Income		
Interest and fees on loans	\$15,754	\$16,511
Interest on interest-bearing deposits	129	116
Interest on securities – taxable	3,350	3,206
Interest on securities – nontaxable	2,974	3,266
Total interest income	22,207	23,099
Interest Expense		
Interest on time deposits of \$100 or more	298	498
Interest on other deposits	2,312	2,729
Total interest expense	2,610	3,227
Net interest income	19,597	19,872