

NATIONAL BANKSHARES INC

Form 10-Q

November 09, 2009

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, 2009

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
(State or other jurisdiction of incorporation or
organization)

54-1375874
(I.R.S. Employer Identification No.)

101 Hubbard Street
P. O. Box 90002
Blacksburg, VA
(Address of principal executive offices)

24062-9002
(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)

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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.

| Class | Outstanding at October 31, 2009 |
|--------------------------------|---------------------------------|
| Common Stock, \$1.25 Par Value | 6,933,474 |

(This report contains 30 pages)

NATIONAL BANKSHARES, INC. AND SUBSIDIARIES

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Part I
Financial Information

Item 1. Financial Statements

National Bankshares, Inc. and Subsidiaries
Consolidated Balance Sheets

| | (Unaudited) September 30, 2009 | December 31, 2008 |
|--|---|-------------------------|
| \$ in thousands, except share data | | |
| Assets | | |
| Cash and due from banks | \$ 11,891 | \$ 16,316 |
| Interest-bearing deposits | 22,935 | 29,656 |
| Securities available for sale, at fair value | 169,457 | 147,227 |
| Securities held to maturity (fair value approximates \$134,285 at September 30, 2009 and \$117,277 at December 31, 2008) | 132,786 | 117,772 |
| Mortgage loans held for sale | 628 | 348 |
| Loans: | | |
| Real estate construction loans | 47,671 | 60,798 |
| Real estate mortgage loans | 167,589 | 162,757 |
| Commercial and industrial loans | 268,868 | 246,218 |
| Loans to individuals | 98,632 | 106,907 |
| Total loans | 582,760 | 576,680 |
| Less unearned income and deferred fees | (1,119) | (1,123) |
| Loans, net of unearned income and deferred fees | 581,641 | 575,557 |
| Less: allowance for loan losses | (6,453) | (5,858) |
| Loans, net | 575,188 | 569,699 |
| Bank premises and equipment, net | 10,734 | 11,204 |
| Accrued interest receivable | 6,322 | 5,760 |
| Other real estate owned, net | 1,944 | 1,984 |
| Intangible assets and goodwill, net | 12,897 | 13,719 |
| Other assets | 21,106 | 21,689 |
| Total assets | \$ 965,888 | \$ 935,374 |
| Liabilities and Stockholders' Equity | | |
| Noninterest-bearing demand deposits | \$ 122,519 | \$ 109,630 |
| Interest-bearing demand deposits | 277,884 | 256,416 |
| Savings deposits | 50,241 | 45,329 |
| Time deposits | 385,229 | 406,473 |
| Total deposits | 835,873 | 817,848 |
| Other borrowed funds | 46 | 54 |
| Accrued interest payable | 473 | 655 |
| Other liabilities | 8,025 | 6,709 |
| Total liabilities | 844,417 | 825,266 |
| Stockholders' Equity | | |
| Preferred stock of no par value. | | |
| Authorized 5,000,000 shares; none issued and outstanding | --- | --- |

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Common stock of \$1.25 par value.

Authorized 10,000,000 shares; issued and outstanding

6,933,474 shares in 2009 and 6,929,474 in 2008

8,667

8,662

Retained earnings

113,087

105,356

Accumulated other comprehensive (loss), net

(283)

(3,910)

Total stockholders' equity

121,471

110,108

Total liabilities and stockholders' equity

\$ 965,888

\$ 935,374

See accompanying notes to consolidated financial statements.

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National Bankshares, Inc. and Subsidiaries
Consolidated Statements of Income
Three Months Ended September 30, 2009 and 2008
(Unaudited)

| \$ in thousands, except share and per share data | September 30, 2009 | September 30, 2008 |
|---|--------------------------|-----------------------|
| Interest Income | | |
| Interest and fees on loans | \$ 9,316 | \$ 9,196 |
| Interest on interest-bearing deposits | 23 | 36 |
| Interest on securities – taxable | 1,600 | 1,726 |
| Interest on securities – nontaxable | 1,677 | 1,451 |
| Total interest income | 12,616 | 12,409 |
| Interest Expense | | |
| Interest on time deposits \$100,000 or more | 1,379 | 1,323 |
| Interest on other deposits | 2,496 | 2,865 |
| Interest on borrowed funds | 1 | 7 |
| Total interest expense | 3,876 | 4,195 |
| Net interest income | 8,740 | 8,214 |
| Provision for loan losses | 305 | 280 |
| Net interest income after provision for loan losses | 8,435 | 7,934 |
| Noninterest Income | | |
| Service charges on deposit accounts | 865 | 930 |
| Other service charges and fees | 107 | 88 |
| Credit card fees | 723 | 728 |
| Trust income | 255 | 307 |
| Bank owned life insurance income | 201 | 144 |
| Other income | 76 | 87 |
| Realized securities (losses), net | (15) | (76) |
| Total noninterest income | 2,212 | 2,208 |
| Noninterest Expense | | |
| Salaries and employee benefits | 2,784 | 2,792 |
| Occupancy, furniture and fixtures | 450 | 437 |
| Data processing and ATM | 380 | 355 |
| FDIC insurance | 423 | 47 |
| Credit card processing | 550 | 546 |
| Intangibles amortization | 271 | 279 |
| Net costs of other real estate owned | 29 | 52 |
| Franchise taxes | 221 | 208 |
| Other operating expenses | 783 | 815 |
| Total noninterest expense | 5,891 | 5,531 |
| Income before income tax expense | 4,756 | 4,611 |
| Income tax expense | 976 | 996 |
| Net Income | \$ 3,780 | \$ 3,615 |

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| | | | | |
|--|----|-----------|----|-----------|
| Net income per share - basic | \$ | 0.55 | \$ | 0.52 |
| Net income per share - diluted | \$ | 0.54 | \$ | 0.52 |
| | | | | |
| Weighted average number of common shares outstanding - basic | | 6,933,474 | | 6,926,974 |
| Weighted average number of common shares outstanding - diluted | | 6,948,083 | | 6,932,438 |