

PEOPLES BANCORP OF NORTH CAROLINA INC  
Form 10-Q  
May 12, 2011

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: March 31, 2011

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 X 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 X

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
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Smaller Reporting  X  
Company

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.

5,542,703 shares of common stock, outstanding at April 30, 2011.

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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, 2010.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

## Consolidated Balance Sheets

(Dollars in thousands)

Assets	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)
Cash and due from banks, including reserve requirements	\$ 44,918	22,521
Interest bearing deposits	1,335	1,456
Cash and cash equivalents	46,253	23,977
Certificates of deposit	735	735
Investment securities available for sale	271,570	272,449
Other investments	5,976	5,761
Total securities	277,546	278,210
Mortgage loans held for sale	2,415	3,814
Loans	711,166	726,160
Less allowance for loan losses	(15,410 )	(15,493 )
Net loans	695,756	710,667
Premises and equipment, net	17,155	17,334
Cash surrender value of life insurance	7,599	7,539
Accrued interest receivable and other assets	24,587	25,376
Total assets	\$ 1,072,046	1,067,652
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing demand	\$ 120,550	114,792
NOW, MMDA & savings	349,077	332,511
Time, \$100,000 or more	224,485	241,366
Other time	144,868	150,043
Total deposits	838,980	838,712
Demand notes payable to U.S. Treasury	843	1,600
Securities sold under agreement to repurchase	38,446	34,094
FHLB borrowings	70,000	70,000

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Junior subordinated debentures	20,619	20,619
Accrued interest payable and other liabilities	5,957	5,769
Total liabilities	974,845	970,794
Shareholders' equity:		
Series A preferred stock, \$1,000 stated value; authorized		
5,000,000 shares; issued and outstanding		
25,054 shares in 2010 and 2009	24,652	24,617
Common stock, no par value; authorized		
20,000,000 shares; issued and outstanding		
5,542,703 shares in 2011 and 5,541,413 shares in 2010	48,289	48,281
Retained earnings	24,475	23,573
Accumulated other comprehensive (loss) income	(215 )	387
Total shareholders' equity	97,201	96,858
Total liabilities and shareholders' equity	\$ 1,072,046	1,067,652

See accompanying notes to consolidated financial statements.

PEOPLES BANCORP OF NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

Three months ended March 31, 2011 and 2010

(Dollars in thousands, except per share amounts)

	2011 (Unaudited)	2010 (Unaudited)
<b>Interest income:</b>		
Interest and fees on loans	\$ 9,614	10,091
<b>Interest on investment securities:</b>		
U.S. Government sponsored enterprises	1,082	1,405
States and political subdivisions	805	402
Other	57	32
<b>Total interest income</b>	<b>11,558</b>	<b>11,930</b>