

PEOPLES BANCORP OF NORTH CAROLINA INC
Form 10-Q
November 13, 2006

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, 2006**

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 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	Accelerated	Non-Accelerated Filer	X
Filer	Filer		

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.

3,813,807 shares of common stock, outstanding at October 31, 2006.

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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 the Company’s 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, 2005

PART FINANCIAL INFORMATION**I.****Item Financial Statements****1.**

PEOPLES BANCORP OF NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

<u>Assets</u>	September 30, <u>2006</u> <i>(Unaudited)</i>	December 31, <u>2005</u>
Cash and due from banks	\$ 19,727,439	18,468,999
Federal funds sold	2,258,000	1,347,000
Cash and cash equivalents	21,985,439	19,815,999
Investment securities available for sale	118,084,586	115,158,184
Other investments	6,822,949	5,810,749
Total securities	124,907,535	120,968,933
Mortgage loans held for sale	1,289,217	2,247,900
Loans	624,302,284	566,663,416
Less allowance for loan losses	(8,132,844)	(7,424,782)
Net loans	616,169,440	559,238,634
Premises and equipment, net	12,870,691	12,662,153
Cash surrender value of life insurance	6,466,938	6,311,757
Accrued interest receivable and other assets	11,311,108	9,034,239
Total assets	\$ 795,000,368	730,279,615
<u>Liabilities and Shareholders' Equity</u>		
Deposits:		
Non-interest bearing demand	\$ 98,155,787	94,660,721
NOW, MMDA & savings	170,887,226	183,248,699
Time, \$100,000 or more	175,609,612	152,410,976
Other time	161,831,432	152,533,265
Total deposits	606,484,057	582,853,661
Demand notes payable to U.S. Treasury	1,600,000	1,473,693
Securities sold under agreement to repurchase	8,602,041	981,050
FHLB borrowings	78,800,000	71,600,000
Junior subordinated debentures	35,052,000	14,433,000
Accrued interest payable and other liabilities	3,594,467	4,585,217

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Total liabilities	734,132,565	675,926,621
Shareholders' equity:		
Preferred stock, no par value; authorized 5,000,000 shares; no shares issued and outstanding	-	-
Common stock, no par value; authorized 20,000,000 shares; issued and outstanding 3,813,807 shares in 2006 and 3,440,805 shares in 2005	50,674,267	41,096,500
Retained earnings	11,272,225	14,656,160
Accumulated other comprehensive income (loss)	(1,078,689)	(1,399,666)