

NATIONAL BANKSHARES INC
Form 10-Q
November 07, 2018

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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, 2018

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

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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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange act.

Yes No

Note: the text of Form 10-Q does not, and this amendment will not, appear in the Code of Federal Regulations.

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

Yes No

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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 November 6, 2018</u>
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Common Stock, \$1.25 Par Value	6,957,974
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(This report contains 64 pages)

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National Bankshares, Inc. and Subsidiaries

Consolidated Balance Sheets

	(Unaudited)	
	September 30, 2018	December 31, 2017
(in thousands, except share and per share data)		
Assets		
Cash and due from banks	\$ 11,533	\$ 12,926
Interest-bearing deposits	28,328	51,233
Securities available for sale, at fair value	448,485	331,387
Securities held to maturity (fair value of \$130,113 at December 31, 2017)	---	127,164
Restricted stock, at cost	2,708	1,200
Loans held for sale	1,027	260
Loans:		
Loans, net of unearned income and deferred fees and costs	701,834	668,069
Less allowance for loan losses	(7,713)	(7,925)
Loans, net	694,121	660,144
Premises and equipment, net	8,727	8,221
Accrued interest receivable	5,589	5,297
Other real estate owned, net	2,214	2,817
Intangible assets and goodwill	5,861	5,898
Bank-owned life insurance	34,434	33,756
Other assets	15,262	16,454
Total assets	\$ 1,258,289	\$ 1,256,757
Liabilities and Stockholders' Equity		
Noninterest-bearing demand deposits	\$ 199,953	\$ 182,511
Interest-bearing demand deposits	584,305	622,189
Savings deposits	141,751	140,150
Time deposits	96,167	114,884
Total deposits	1,022,176	1,059,734
Other borrowed funds	35,000	---
Accrued interest payable	165	62
Other liabilities	12,791	12,065
Total liabilities	1,070,132	1,071,861
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 6,957,974 shares at September 30, 2018 and at December 31, 2017	8,698	8,698

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Retained earnings	193,445	185,893
Accumulated other comprehensive loss, net	(13,986)	(9,695)
Total stockholders' equity	188,157	184,896
Total liabilities and stockholders' equity	\$ 1,258,289	\$ 1,256,757

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, 2018 and 2017

(Unaudited)

(in thousands, except share and per share data)	September 30, 2018	September 30, 2017
Interest Income		
Interest and fees on loans	\$ 8,005	\$ 7,473
Interest on interest-bearing deposits	111	224
Interest on securities – taxable	1,771	1,426
Interest on securities – nontaxable	1,058	1,178
Total interest income	10,945	10,301
Interest Expense		
Interest on time deposits	107	130
Interest on other deposits	1,034	891
Interest on borrowed funds	104	---
Total interest expense	1,245	1,021
Net interest income	9,700	9,280
Provision for loan losses	223	201
Net interest income after provision for loan losses	9,477	9,079
Noninterest Income		
Service charges on deposit accounts	673	710
Other service charges and fees	20	42
Credit and debit card fees	362	315
Trust income		