

FIRST COMMUNITY BANCSHARES INC /NV/

Form 10-Q/A

August 16, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
(Amendment No. 1)**

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

For the quarter ended September 30, 2009

Commission file number 000-19297

FIRST COMMUNITY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Nevada

55-0694814

(State or other jurisdiction of incorporation)

(IRS Employer Identification No.)

**P.O. Box 989
Bluefield, Virginia**

24605-0989

(Address of principal executive offices)

(Zip Code)

(276) 326-9000

(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 smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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.

Class Common Stock, \$1.00 Par Value; 17,671,828 shares outstanding as of October 30, 2009

FIRST COMMUNITY BANCSHARES, INC.
FORM 10-Q/A
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Explanatory Note

Overview

First Community Bancshares, Inc. (the Company) is filing this amendment to its Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (the Original Filing) to amend and restate financial statements and other financial information in the Original Filing as filed with the Securities and Exchange Commission (SEC) to reflect the correction of a computational error in its model used to calculate its allowance for loan losses. For this reason, Company also is restating the financial statements and other financial information filed with the SEC for the years ended December 31, 2009 and 2008 and each of the quarters ended March 31, 2009, June 30, 2009 and March 31, 2010.

Background

The reason for the restatement is to correct a computational error in the model that the Company used to calculate the quantitative basis for its allowance for loan losses for the periods indicated. The Company identified the computational error as a result of one of its routine internal audits. In connection with its determination of the appropriate loan loss reserves at December 31, 2008, the Company made certain modifications to its loan loss reserves model with respect to a \$130.76 million pool of loans. However, in calculating the loan loss reserves for this pool of loans, the computational error resulted in the Company s historical quarterly net charge-off rates not being annualized. The Company has corrected the computational error in its model for calculating the allowance for loan losses. Based on the Company s modeling using the corrected computations, the Company, in consultation with the Audit Committee of its Board of Directors, determined that the amount of the allowance for loan losses should be increased by an aggregate of \$2.55 million for the period beginning December 31, 2008 and ending March 31, 2010.

Amendments to the Original Filing

The following sections of this Quarterly Report on Form 10-Q/A have been revised to reflect the restatement: Part I Item 1 Financial Statements, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations, Item 4 Controls and Procedures, and Part II Item 6 Exhibits. Except to the extent relating to the restatement of the Company s financial statements and other financial information described above, the financial statements and other disclosures in this Quarterly Report on Form 10-Q/A do not reflect any events that have occurred after the Original Filing was filed with the SEC on November 10, 2009. This Quarterly Report on Form 10-Q/A does not modify or update those disclosures affected by subsequent events. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the Original Filing. Although the Company is amending only certain portions of its Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, for convenience and ease of reference, it is filing the entire Quarterly Report on this Form 10-Q/A.

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CONSOLIDATED BALANCE SHEETS**

<i>(Dollars in Thousands, Except Per Share Data)</i>	September 30, 2009 (Restated)	December 31, 2008* (Restated)
Assets		
Cash and due from banks	\$ 32,017	\$ 39,310
Federal funds sold	19,888	
Interest-bearing balances with banks	3,352	7,129
Total cash and cash equivalents	55,257	46,439
Securities available-for-sale	575,800	520,723
Securities held-to-maturity	7,452	8,670
Loans held for sale	4,376	1,024
Loans held for investment, net of unearned income	1,396,617	1,298,159
Less allowance for loan losses	19,710	17,782
Net loans held for investment	1,376,907	1,280,377
Premises and equipment	57,695	55,024
Other real estate owned	3,955	1,326
Interest receivable	9,046	10,084
Goodwill and other intangible assets	90,134	89,612
Other assets	116,303	118,908
Total Assets	\$ 2,296,925	\$ 2,132,187
Liabilities		
Deposits:		
Noninterest-bearing	\$ 198,107	\$ 199,712
Interest-bearing	1,464,350	1,304,046
Total Deposits	1,662,457	1,503,758
Interest, taxes and other liabilities	24,374	27,423
Securities sold under agreements to repurchase	147,042	165,914
FHLB borrowings and other indebtedness	198,932	215,877
Total Liabilities	2,032,805	1,912,972
Stockholders Equity		
Preferred stock, par value undesignated; 1,000,000 shares authorized; 0 shares issued at September 30, 2009, and 41,500 issued December 31, 2008		40,419

Common stock, \$1 par value; 25,000,000 shares authorized; 18,082,874 shares issued at September 30, 2009, and 12,051,234 issued December 31, 2008, including 402,494 and 483,785 shares in treasury, respectively	18,083	12,051
Additional paid-in capital	192,799	128,526
Retained earnings	101,504	106,104
Treasury stock, at cost	(12,768)	(15,368)
Accumulated other comprehensive loss	(35,498)	(52,517)
 Total Stockholders' Equity	 264,120	 219,215
 Total Liabilities and Stockholders' Equity	 \$ 2,296,925	 \$ 2,132,187

* Derived from audited financial statements.

See Notes to Consolidated Financial Statements.

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FIRST COMMUNITY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME/(LOSS) (Unaudited)

<i>(Dollars In Thousands, Except Per Share Data)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(Restated)		(Restated)	
Interest Income				
Interest and fees on loans held for investment	\$ 21,064	\$ 19,266	\$ 60,619	\$ 60,394
Interest on securities-taxable	4,562	5,567	14,903	17,101
Interest on securities-nontaxable	1,449	1,708	4,527	5,775
Interest on federal funds sold and deposits	55	9	133	260
Total interest income	27,130	26,550	80,182	83,530
Interest Expense				
Interest on deposits	6,998	6,684	21,641	22,543
Interest on borrowings	2,596	3,543	8,251	11,679
Total interest expense	9,594	10,227	29,892	34,222
Net interest income	17,536	16,323	50,290	49,308
Provision for loan losses	3,819	3,461	8,519	4,721
Net interest income after provision for loan losses	13,717	12,862	41,771	44,587
Noninterest Income				
Wealth management income	971	957	3,088	2,954
Service charges on deposit accounts	3,659	3,808	10,307	10,370
Other service charges and fees	1,156	1,040	3,467	3,225
Insurance commissions	1,567	1,240	5,523	3,730
Total impairment losses on securities	(26,405)	(51)	(63,180)	(51)
Portion of loss recognized in other comprehensive income	(4,406)		28,384	
Net impairment losses recognized in earnings	(30,811)	(51)	(34,796)	(51)
Security gains	866	163	2,930	2,133
Acquisition gain	4,493		4,493	
Other operating income	815	675	1,750	2,336
Total non-interest (loss) income	(17,284)	7,832	(3,238)	24,697
Noninterest Expense				
Salaries and employee benefits	7,860	7,371	23,131	22,741
Occupancy expense of bank premises	1,266	1,297	4,202	3,717
Furniture and equipment expense	928	924	2,758	2,798
Amortization of intangible assets	262	166	751	484
FHLB debt prepayment fees			88	1,647
FDIC premiums and assessments	1,109	62	2,584	141
Merger-related expenses	1,505		1,580	

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Other operating expense	4,838	4,570	14,011	13,904
Total noninterest expense	17,768	14,390	49,105	45,432
(Loss) income before income taxes	(21,335)	6,304	(10,572)	23,852
Income tax (benefit) expense	(9,783)	1,753	(6,617)	6,751
Net (loss) income	(11,552)	4,551	(3,955)	17,101
Dividends on preferred stock	1,011		2,160	
Net (loss) income available to common shareholders	\$ (12,563)	\$ 4,551	\$ (6,115)	\$ 17,101
Basic earnings (loss) per common share	\$ (0.72)	\$ 0.42	\$ (0.44)	\$ 1.56
Diluted earnings (loss) per common share	\$ (0.72)	\$ 0.41	\$ (0.44)	\$ 1.54
Dividends declared per common share	\$ 0.10	\$ 0.28	\$ 0.30	\$ 0.84
Weighted average basic shares outstanding	17,427,434	10,956,867	13,918,599	10,992,901
Weighted average diluted shares outstanding	17,427,434	11,034,059	13,918,599	11,071,925
<i>See Notes to Consolidated Financial Statements</i>				

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FIRST COMMUNITY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<i>(In Thousands)</i>	Nine Months Ended September 30,	
	2009	2008
	(Restated)	
Operating activities:		
Net (loss) income	\$ (3,955)	\$ 17,101
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loan losses	8,519	4,721
Depreciation and amortization of premises and equipment	2,986	2,785
Intangible amortization	751	484
Net investment amortization and accretion	1,024	(292)
Net gain on the sale of assets	(3,008)	(2,070)
Net gain on acquisitions	(4,493)	
Mortgage loans originated for sale	(26,147)	(28,299)
Proceeds from sales of mortgage loans	25,538	29,137
Gain on sales of loans	(59)	(167)
Deferred income tax benefit	(17,925)	(330)
Decrease in interest receivable	1,635	3,309
Net impairment losses recognized in earnings	34,796	51
Other operating activities, net	3,656	2,471
Net cash provided by operating activities	23,318	28,901
Investing activities:		
Proceeds from sales of securities available-for-sale	126,632	97,232
Proceeds from maturities and calls of securities available-for-sale	50,334	80,997
Proceeds from maturities and calls of securities held-to-maturity	1,238	3,042
Purchase of securities available-for-sale	(218,388)	(108,124)
Net decrease in loans held for investment	19,559	54,828
Proceeds from the redemption of FHLB stock	351	
Cash provided by divestures and acquisitions, net	21,299	
Proceeds from sales of equipment	218	23
Purchase of premises and equipment	(3,909)	(6,002)
Net cash (used in) provided by investing activities	(2,666)	121,996
Financing activities:		
Net increase in demand and savings deposits	15,645	8,088
Net increase (decrease) in time deposits	357	(51,987)
Net decrease in federal funds purchased		11,000
Net decrease in securities sold under agreement to repurchase	(18,872)	(27,039)
Net decrease in FHLB and other borrowings	(25,122)	(75,196)
FHLB debt prepayment fees	(88)	(1,647)

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Net proceeds from the issuance of common stock	61,668	
Redemption of preferred stock	(41,500)	
Proceeds from the exercise of stock options	20	440
Excess tax benefit from stock-based compensation	2	49
Acquisition of treasury stock	(13)	(4,222)
Preferred dividends paid	(1,079)	
Common dividends paid	(2,852)	(9,227)
Net cash used in financing activities	(11,834)	(149,741)
Increase in cash and cash equivalents	8,818	1,156
Cash and cash equivalents at beginning of period	46,439	52,746
Cash and cash equivalents at end of period	\$ 55,257	\$ 53,902
Supplemental information Noncash items		
Transfer of loans to other real estate	\$ 5,404	\$ 1,413
Cumulative effect adjustment, net of tax*	\$ 6,131	\$
Dividends declared on common stock	\$ 1,764	\$

* In accordance
with FASB
Accounting
Standards
Codification
Investments-Debt
and Equity
Securities Topic
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See Notes to Consolidated Financial Statements.

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FIRST COMMUNITY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (Unaudited)

	Preferred	Common	Additional Paid-in	Retained	Treasury	Accumulated Other Comprehensive Income	Total
<i>(Dollars in Thousands)</i>	Stock	Stock	Capital	Earnings	Stock	(Loss)	
Balance January 1, 2008	\$	\$ 11,499	\$ 108,825	\$ 117,670	\$ (13,613)	\$ (7,283)	\$ 217,098
Comprehensive income:							
Net income				17,101			17,101
Other comprehensive loss - See note 10						(50,116)	(50,116)
Comprehensive loss				17,101		(50,116)	(33,015)
Cumulative effect of change in accounting principle				(813)			(813)
Common dividends declared				(9,227)			(9,227)
Acquisition of 132,100 treasury shares					(4,222)		(4,222)
Acquisition of GreenPoint Insurance Group - 7,728 shares issued			22		245		267
Equity-based compensation expense			161				161
Tax benefit from exercise of stock options			122				122
Option exercises - 22,323 shares			(268)		708		440
Balance September 30, 2008	\$	\$ 11,499	\$ 108,862	\$ 124,731	\$ (16,882)	\$ (57,399)	\$ 170,811
Balance January 1, 2009 (restated)	\$ 40,419	\$ 12,051	\$ 128,526	\$ 106,104	\$ (15,368)	\$ (52,517)	\$ 219,215
Cumulative effect of change in accounting principle				6,131		(6,131)	
Comprehensive income:							
Net income (loss) (restated)				(3,955)			(3,955)
Other comprehensive income - See note 10						23,150	23,150

Comprehensive income	(3,955)
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