NEW PEOPLES BANKSHARES INC
Form 10-Q
May 16, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2016

[ ] **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: 000-33411

NEW PEOPLES BANKSHARES, INC.

(Exact name of registrant as specified in its charter)

Virginia (State or other jurisdiction of incorporation or organization)	**31-1804543** (I.R.S. Employer Identification No.)

67 Commerce Drive

Honaker, Virginia	**24260**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) **(276) 873-7000**

n/a

(Former name, former address and former fiscal year, if changed since last report)

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 [X] 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. (Check one):

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[X]

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

Yes [ ] No [X]

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 May 13, 2016
Common Stock, $2.00 par value	23,354,082

NEW PEOPLES BANKSHARES, INC.

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Part I Financial Information

Item 1 Financial Statements

NEW PEOPLES BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

(UNAUDITED)

INTEREST AND DIVIDEND INCOME	2016	2015
Loans including fees	$5,565	$5,781
Federal funds sold	—	1
Interest-earning deposits with banks	21	26
Investments	464	426
Dividends on equity securities (restricted)	32	32
Total Interest and Dividend Income	6,082	6,266
INTEREST EXPENSE		
Deposits		
Demand	11	9
Savings	41	41
Time deposits below $100,000	265	387
Time deposits above $100,000	154	271
FHLB advances	36	40
Federal funds purchased	2	—
Trust preferred securities	122	108
Total Interest Expense	631	856
NET INTEREST INCOME	5,451	5,410
PROVISION FOR LOAN LOSSES	—	—
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,451	5,410
NONINTEREST INCOME		
Service charges	488	536
Fees, commissions and other income	805	714
Insurance and investment fees	158	124
Net realized gains on sale of investment securities	105	35
Life insurance investment income	30	35

Total Noninterest Income	1,586	1,444
NONINTEREST EXPENSES		
Salaries and employee benefits	3,210	2,942
Occupancy and equipment expense	853	942
Advertising and public relations	104	57
Data processing and telecommunications	581	499
FDIC insurance premiums	134	218
Other real estate owned and repossessed vehicles, net	163	359
Other operating expenses	1,292	1,212
Total Noninterest Expenses	6,337	6,229
INCOME BEFORE INCOME TAXES	700	625

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INCOME TAX EXPENSE	2	3
NET INCOME	$698	$622
Income Per Share		
Basic	$0.03	$0.03
Fully Diluted	$0.03	$0.03
Average Weighted Shares of Common Stock		
Basic	23,354,082	22,878,654
Fully Diluted	23,354,082	22,878,654

The accompanying notes are an integral part of this statement.

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NEW PEOPLES BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(IN THOUSANDS)

(UNAUDITED)

	2016	2015
NET INCOME	$698	$622
Other comprehensive income:		
Investment Securities Activity		
Unrealized gains arising during the period	785	626
Tax related to unrealized gains	(267)	(213)
Reclassification of realized gains during the period	(105)	(35)
Tax related to realized gains	36	12
TOTAL OTHER COMPREHENSIVE INCOME	449	390
TOTAL COMPREHENSIVE INCOME	$1,147	$1,012

The accompanying notes are an integral part of this statement.

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NEW PEOPLES BANKSHARES, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS EXCEPT PER SHARE AND SHARE DATA)

ASSETS	March 31,	December 31,
	2016	2015
	(Unaudited)	(Audited)
Cash and due from banks	$ 15,549	$ 15,087
Interest-bearing deposits with banks	23,838	11,251
Total Cash and Cash Equivalents	39,387	26,338
Investment securities available-for-sale	84,710	101,642
Loans receivable	450,309	441,169
Allowance for loan losses	(7,219)	(7,493)
Net Loans	443,090	433,676
Bank premises and equipment, net	30,812	28,148
Equity securities (restricted)	2,755	2,441
Other real estate owned	13,196	12,398
Accrued interest receivable	1,794	1,816
Life insurance investments	12,135	12,105
Deferred taxes, net	4,960	5,121
Other assets	3,620	2,213
Total Assets	$ 636,459	$ 625,898
LIABILITIES		
Deposits:		
Demand deposits:		
Noninterest bearing	$ 147,970	$ 149,714
Interest-bearing	42,691	30,251
Savings deposits	113,260	121,076
Time deposits	251,295	256,978
Total Deposits	555,216	558,019
Federal Home Loan Bank advances	12,658	2,958
Accrued interest payable	287	288
Accrued expenses and other liabilities	4,568	2,050
Trust preferred securities	16,496	16,496
Total Liabilities	589,225	579,811
Commitments and contingencies	—	—
STOCKHOLDERS' EQUITY		

Common stock - $2.00 par value; 50,000,000 shares authorized; 23,354,082 shares issued and outstanding	46,708	46,708
Common stock warrants	764	764
Additional paid-in-capital	13,965	13,965
Retained deficit	(14,325)	(15,023)
Accumulated other comprehensive income (loss)	122	(327)
Total Stockholders’ Equity	47,234	46,087
Total Liabilities and Stockholders’ Equity	$ 636,459	$ 625,898

The accompanying notes are an integral part of this statement.

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NEW PEOPLES BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(IN THOUSANDS INCLUDING SHARE DATA)

(UNAUDITED)

	Shares of Common Stock	**Common Stock**	**Common Stock Warrants**	**Additional Paid-in-Capital**	**Retained Earnings (Deficit)**	**Accum-ulated Other Compre-hensive Income (Loss)**	**Total Stockholders' Equity**
Balance, December 31, 2014	22,878	$45,757	$ 1,176	$ 13,672	$(17,685)	$ (69)	$ 42,851
Net income	—	—	—	—	622	—	622
Other comprehensive income, net of tax	—	—	—	—	—	390	390
Balance, March 31, 2015	22,878	$45,757	$ 1,176	$ 13,672	$(17,063)	$ 321	$ 43,863
Balance, December 31, 2015	23,354	$46,708	$ 764	$ 13,965	$(15,023)	$ (327)	$ 46,087
Net income	—	—	—	—	698	—	698
Other comprehensive income, net of tax	—	—	—	—	—	449	449
Balance, March 31, 2016	23,354	$46,708	$ 764	$ 13,965	$(14,325)	$ 122	$ 47,234

The accompanying notes are an integral part of this statement.

NEW PEOPLES BANKSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(IN THOUSANDS)

(UNAUDITED)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$698	$622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	551	535
Income on life insurance	(30)	(35)
Gain on sale of securities available-for-sale	(105)	(35)
(Gain) loss on sale of foreclosed assets	(43)	5
Adjustment of carrying value of foreclosed real estate	(4)	134
Accretion of bond premiums/discounts	253	270
Deferred tax benefit	(70)	—
Net change in:		
Interest receivable	22	178
Other assets	(1,407)	173
Accrued interest payable	(1)	80
Accrued expenses and other liabilities	2,518	122
Net Cash Provided by Operating Activities	2,382	2,049
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in loans	(10,233)	6,336
Purchase of securities available-for-sale	(100)	(10,765)
Proceeds from sale and maturities of securities available-for-sale	17,564	11,057
Sale (Purchase) of Federal Home Loan Bank stock	(314)	30
Purchase of Federal Reserve Bank stock	—	(37)
Payments for the purchase of premises and equipment	(3,215)	(339)
Payments for the purchase of other real estate owned	—	(5)
Proceeds from sales of other real estate owned	68	400
Net Cash Provided by Investing Activities	3,770	6,677
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in Federal Home Loan Bank advances	9,700	(300)
Net change in:		
Demand deposits	10,696	10,426
Savings deposits	(7,816)	6,283
Time deposits	(5,683)	(8,577)
Net Cash Provided by Financing Activities	6,897	7,832
Net increase in cash and cash equivalents	13,049	16,558
Cash and Cash Equivalents, Beginning of Period	26,338	35,560

Cash and Cash Equivalents, End of Period	$39,387	$52,118
Supplemental Disclosure of Cash Paid During the Period for:		
Interest	$632	$776
Taxes	$70	$—
Supplemental Disclosure of Non Cash Transactions:		
Other real estate acquired in settlement of foreclosed loans	$1,063	$367
Loans made to finance sale of foreclosed real estate	$244	$45
Change in unrealized gains (losses) on securities available-for-sale	$680	$591

The accompanying notes are an integral part of this statement.

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NEW PEOPLES BANKSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 NATURE OF OPERATIONS:

New Peoples Bankshares, Inc. (“The Company”) is a financial holding company whose principal activity is the ownership and management of a community bank. New Peoples Bank, Inc. (“Bank”) was organized and incorporated under the laws of the Commonwealth of Virginia on December 9, 1997. The Bank commenced operations on October 28, 1998, after receiving regulatory approval. As a state-chartered member bank, the Bank is subject to regulation by the Virginia Bureau of Financial Institutions, the Federal Deposit Insurance Corporation and the Federal Reserve Bank. The Bank provides general banking services to individuals, small and medium size businesses and the professional community of southwestern Virginia, southern West Virginia, and eastern Tennessee. On June 9, 2003, the Company formed two wholly-owned subsidiaries; NPB Financial Services, Inc. and NPB Web Services, Inc. On July 7, 2004 the Company established NPB Capital Trust I for the purpose of issuing trust preferred securities. On September 27, 2006, the Company established NPB Capital Trust 2 for the purpose of issuing additional trust preferred securities. NPB Financial Services, Inc. was a subsidiary of the Company until January 1, 2009 when it became a subsidiary of the Bank. In June 2012 the name of NPB Financial Services, Inc. was changed to NPB Insurance Services, Inc. which operates solely as an insurance agency. On March 4, 2016 the Federal Reserve Bank of Richmond approved the Company’s election to become a financial holding company.

NOTE 2 ACCOUNTING PRINCIPLES:

These consolidated financial statements conform to U. S. generally accepted accounting principles and to general industry practices. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the Company’s financial position at March 31, 2016 and December 31, 2015, and the results of operations for the three-month periods ended March 31, 2016 and 2015. The notes included herein should be read in conjunction with the notes to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. The results of operations for the three month periods ended March 31, 2016 and 2015 are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The determination of the adequacy of the allowance for loan losses and the determination of the deferred tax asset and related valuation allowance are based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions.

NOTE 3 FORMAL WRITTEN AGREEMENT:

The Company and the Bank had previously entered into the Written Agreement with the Federal Reserve Bank of Richmond and the Virginia State Corporation Commission Bureau of Financial Institutions. On February 2, 2016, the Company and the Bank announced that they had successfully complied with all of the requirements of the Written Agreement and accordingly, effective January 20, 2016, the agreement had been terminated.

Under the terms of the Written Agreement, the Bank developed and submitted for approval within specified time periods written plans related to board oversight; the Bank's management and governance, including management of the Bank's operations, credit risk management, lending and credit risk administration, management of commercial real estate concentrations; the review and grading of the Bank's loan portfolio; the improvement of Bank problem assets in excess of $1 million; the maintenance of an adequate allowance for loan and lease losses; the enhanced management of the Bank's liquidity position and funds management practices; the revision of the Bank's contingency funding and strategic plans; and the enhancement of the Bank's anti-money laundering activities. The Written Agreement also imposed limitations on actions taken on criticized credits and credits classified as "loss". The Written Agreement required the submission of capital plans and the maintenance of adequate capital and restricted the payment of dividends and other distributions, the redemption of stock and the incurrence of debt.

NOTE 4 CAPITAL:

Capital Requirements and Ratios

The Company and the Bank are subject to various capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and, possibly, additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined) to risk-weighted assets (as defined), Tier 1 capital (as defined) to average assets (as defined), and Common Equity Tier 1 capital (as defined) to risk-weighted assets (as defined). Management believes that, as of March 31, 2016, the Company and the Bank meet all capital adequacy requirements to which they are subject. The Company's and the Bank's actual capital amounts and ratios are presented in the following table as of March 31, 2016 and December 31, 2015, respectively. These ratios comply with Federal Reserve rules to align with the Basel III Capital requirements effective January 1, 2015.

	Actual		Minimum Capital Requirement		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars are in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2016:						
Total Capital to Risk Weighted Assets:						
The Company	67,718	17.54%	$30,888	8.0%	N/A	N/A
The Bank	66,711	17.28%	30,883	8.0%	38,604	10.0%
Tier 1 Capital to Risk Weighted Assets:						
The Company	62,566	16.20%	23,166	6.0%	N/A	N/A
The Bank	61,856	16.02%	23,162	6.0%	30,883	8.0 %
Tier 1 Capital to Average Assets:						
The Company	62,566	9.95 %	25,157	4.0%	N/A	N/A
The Bank	61,856	9.83 %	25,158	4.0%	31,447	5.0 %
Common Equity Tier 1 Capital to Risk Weighted Assets:						

The Company	46,862	12.14%	17,374	4.5%	N/A	N/A
The Bank	61,856	16.02%	17,372	4.5%	25,093	6.5 %
December 31, 2015:						
Total Capital to Risk Weighted Assets:						
The Company	66,649	17.80%	$29,954	8.0%	N/A	N/A
The Bank	65,713	17.55%	29,954	8.0%	37,443	10.0%
Tier 1 Capital to Risk Weighted Assets:						
The Company	61,406	16.40%	22,465	6.0%	N/A	N/A
The Bank	60,998	16.29%	22,466	6.0%	29,954	8.0 %
Tier 1 Capital to Average Assets:						
The Company	61,406	9.74 %	25,229	4.0%	N/A	N/A
The Bank	60,998	9.67 %	25,239	4.0%	31,549	5.0 %
Common Equity Tier 1 Capital to Risk Weighted Assets:						
The Company	45,934	12.27%	16,849	4.5%	N/A	N/A
The Bank	60,998	16.29%	16,849	4.5%	24,338	6.5 %

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As of March 31, 2016, the Bank was well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, Tier 1 leverage, and Common Equity Tier 1 ratios as set forth in the above tables. There are no conditions or events since the notification that management believes have changed the Company's and Bank's category.

Beginning January 1, 2016, a capital conservation buffer of 0.625% became effective. The capital conservation buffer will be gradually increased through January 1, 2019 to 2.5%. Banks will be required to maintain levels that meet the required minimum plus the capital conservation buffer in order to make distributions or discretionary bonus payments.

NOTE 5 INVESTMENT SECURITIES:

The amortized cost and estimated fair value of securities (all available-for-sale ("AFS")) are as follows:

(Dollars are in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Approximate Unrealized Losses	Fair Value
March 31, 2016				
U.S. Government Agencies	$34,827	$ 356	$ 58	$35,125
Taxable municipals	2,421	21	10	2,432
Corporate bonds	2,045	15	44	2,016
Mortgage backed securities	45,233	115	211	45,137
Total Securities AFS	$84,526	$ 507	$ 323	$84,710
December 31, 2015				
U.S. Government Agencies	$41,488	$ 244	$ 209	$41,523
Taxable municipals	3,337	5	61	3,281
Corporate bonds	1,944	15	20	1,939
Mortgage backed securities	55,369	41	511	54,899
Total Securities AFS	$102,138	$ 305	$ 801	$101,642

The following table details unrealized losses and related fair values in the available-for-sale portfolio. This information is aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2016 and December 31, 2015.

(Dollars are in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2016						
U.S. Government Agencies	$7,243	$ 23	$3,855	$ 35	$11,098	$ 58
Taxable municipals	549	8	276	2	825	10

Corporate bonds	901	44	—	—	901	44
Mtg. backed securities	14,946	101	9,376	110	24,322	211
Total Securities AFS	$23,639	$ 176	$13,507	$ 147	$37,146	$ 323
December 31, 2015						
U.S. Government Agencies	$14,995	$ 81	$7,708	$ 128	$22,073	$ 209
Taxable municipals	2,136	57	278	4	2,414	61
Corporate bonds	923	20	—	—	923	20
Mtg. backed securities	38,945	354	8,719	157	47,664	511
Total Securities AFS	$56,999	$ 512	$16,705	$ 289	$73,074	$ 801

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At March 31, 2016, the available-for-sale portfolio included seventy four investments for which the fair market value was less than amortized cost. At December 31, 2015, the available-for-sale portfolio included one hundred and thirty four investments for which the fair market value was less than amortized cost. Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Based on the Company’s analysis, the Company concluded that no securities had an other-than-temporary impairment.

Gross proceeds on the sale of investment securities were $12.9 million for the three months ended March 31, 2016, with $119 thousand of gross gains realized and $14 thousand of gross losses realized. Gross proceeds on the sale of investment securities were $7.1 million for the three months ended March 31, 2015, with $62 thousand of gross gains realized and $27 thousand of gross losses realized.

The amortized cost and fair value of investment securities at March 31, 2016, by contractual maturity, are shown in the following schedule. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars are in thousands) Securities Available-for-Sale	Amortized Cost	Fair Value	Weighted Average Yield
Due in one year or less	$ 1,243	$ 1,246	0.91 %
Due after one year through five years	1,338	1,342	1.61 %
Due after five years through ten years	13,667	13,714	2.08 %
Due after ten years	68,278	68,408	1.96 %
Total	$ 84,526	$ 84,710	1.96 %

Investment securities with a carrying value of $15.5 million and $15.4 million at March 31, 2016 and December 31, 2015, respectively, were pledged as collateral to secure public deposits, overnight payment processing and for other purposes required by law.

The Bank, as a member of the Federal Reserve Bank and the Federal Home Loan Bank, is required to hold stock in each. The Bank also owns stock in CBB Financial Corp., which is a correspondent of the Bank. These equity securities are restricted from trading and are recorded at a cost of $2.8 million and $2.4 million as of March 31, 2016 and December 31, 2015, respectively.

NOTE 6 LOANS:

Loans receivable outstanding are summarized as follows:

(Dollars are in thousands)	March 31, 2016	December 31, 2015
Real estate secured:		
Commercial	$98,644	$98,569
Construction and land development	17,977	14,672
Residential 1-4 family	246,321	242,916
Multifamily	13,430	12,954
Farmland	23,458	22,174
Total real estate loans	399,830	391,285
Commercial	22,106	21,469
Agriculture	3,958	3,793
Consumer installment loans	24,373	24,568
All other loans	42	54
Total loans	$450,309	$441,169

Loans receivable on nonaccrual status are summarized as follows:

(Dollars are in thousands)	March 31, 2016	December 31, 2015
Real estate secured:		
Commercial	$3,249	$4,358
Construction and land development	723	436
Residential 1-4 family	7,720	8,338
Multifamily	341	430
Farmland	1,157	1,170
Total real estate loans	13,190	14,732
Commercial	75	65
Agriculture	206	9
Consumer installment loans	56	41
All other loans	—	—
Total loans receivable on nonaccrual status	$13,527	$14,847

Total interest income not recognized on nonaccrual loans for the three months ended March 31, 2016 and 2015 was $94 thousand and $166 thousand, respectively.

The following table presents information concerning the Company's investment in loans considered impaired as of March 31, 2016 and December 31, 2015:

As of March 31, 2016 (Dollars are in thousands)	Average Recorded Investment	Interest Income Recognized	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:					
Real estate secured:					
Commercial	$ 4,479	$ 35	$ 4,745	$5,442	$ —
Construction and land development	171	(1)	331	376	—
Residential 1-4 family	3,599	51	4,161	4,475	—
Multifamily	269	2	108	149	—
Farmland	4,149	51	4,314	5,240	—
Commercial	—	—	—	—	—
Agriculture	36	1	36	36	—
Consumer installment loans	27	1	43	43	—
All other loans	—	—	—	—	—
With an allowance recorded:					
Real estate secured:					
Commercial	1,768	—	1,033	1,104	150
Construction and land development	283	—	277	492	143
Residential 1-4 family	1,271	5	622	656	79

Multifamily	117	2	233	235	41
Farmland	640	6	518	525	310
Commercial	74	1	78	78	33
Agriculture	117	(2)	215	215	114
Consumer installment loans	28	—	11	11	3
All other loans	—	—	—	—	—
Total	$ 17,028	$ 152	$ 16,725	$ 19,077	$ 873

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As of December 31, 2015 (Dollars are in thousands)	Average Recorded Investment	Interest Income Recognized	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:					
Real estate secured:					
Commercial	$4,534	$163	$4,212	$5,173	$—
Construction and land development	12	1	10	10	—
Residential 1-4 family	3,506	161	3,037	3,150	—
Multifamily	520	9	430	471	—
Farmland	5,073	213	3,983	4,620	—
Commercial	267	—	—	—	—
Agriculture	42	4	36	36	—
Consumer installment loans	31	1	11	11	—
All other loans	—	—	—	—	—
With an allowance recorded:					
Real estate secured:					
Commercial	2,935	37	2,503	2,849	288
Construction and land development	373	—	289	499	155
Residential 1-4 family	2,219	99	1,920	2,121	168
Multifamily	23	—	—	—	—
Farmland	906	38	761	778	328
Commercial	80	3	69	69	24
Agriculture	24	2	18	18	18
Consumer installment loans	19	4	45	45	2
All other loans	—	—	—	—	—
Total	$20,564	$735	$17,324	$19,850	$983

An age analysis of past due loans receivable was as follows:

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
As of March 31, 2016							

(Dollars are in thousands)							
Real estate secured:							
Commercial	$1,094	$260	$1,321	$2,675	$95,969	$98,644	$ —
Construction and land development	89	322	—	411	17,566	17,977	—
Residential 1-4 family	6,440	1,168	1,564	9,172	237,149	246,321	—
Multifamily	502	—	233	735	12,695	13,430	—
Farmland	292	—	522	814	22,644	23,458	—
Total real estate loans	8,417	1,750	3,640	13,807	386,023	399,830	—
Commercial	—	17	75	92	22,014	22,106	—
Agriculture	870	—	—	870	3,088	3,958	—
Consumer installment Loans	74	21	21	116	24,257	24,373	—
All other loans	4	—	—	4	38	42	—
Total loans	$9,365	$1,788	$3,736	$14,889	$435,420	$450,309	$ —

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As of December 31, 2015	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
(Dollars are in thousands)							
Real estate secured:							
Commercial	$311	$105	$2,534	$2,950	$95,619	$98,569	$ —
Construction and land development	144	—	17	161	14,511	14,672	—
Residential 1-4 family	4,694	1,487	2,891	9,072	233,844	242,916	—
Multifamily	47	—	320	367	12,587	12,954	—
Farmland	363	—	251	614	21,560	22,174	—
Total real estate loans	5,559	1,592	6,013	13,164	378,121	391,285	—
Commercial	18	1	64	83	21,386	21,469	—
Agriculture	—	—	—	—	3,793	3,793	—
Consumer installment Loans	113	1	27	141	24,427	24,568	—
All other loans	6	—	—	6	48	54	—
Total loans	$5,696	$1,594	$6,104	$13,394	$427,775	$441,169	$ —

The Company categorizes loans receivable into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans receivable as to credit risk. The Company uses the following definitions for risk ratings:

Pass - Loans in this category are considered to have a low likelihood of loss based on relevant information analyzed about the ability of the borrowers to service their debt and other factors.

Special Mention - Loans in this category are currently protected but are potentially weak, including adverse trends in borrower's operations, credit quality or financial strength. Those loans constitute an undue and unwarranted credit risk but not to the point of justifying a substandard classification. The credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances. Special mention loans have potential weaknesses which may, if not checked or corrected, weaken the loan or inadequately protect the Company's credit position at some future date.

Substandard - A substandard loan is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; they are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful - Loans classified Doubtful have all the weaknesses inherent in loans classified as Substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable.

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Based on the most recent analysis performed, the risk category of loans receivable was as follows:

As of March 31, 2016

(Dollars are in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Real estate secured:					
Commercial	$85,360	$8,448	$4,836	$—	$98,644
Construction and land development	15,618	1,636	723	—	17,977
Residential 1-4 family	234,317	3,493	8,511	—	246,321
Multifamily	12,812	205	413	—	13,430
Farmland	17,576	3,311	2,571	—	23,458
Total real estate loans	365,683	17,093	17,054	—	399,830
Commercial	21,283	715	108	—	22,106
Agriculture	3,737	—	221	—	3,958
Consumer installment loans	24,271	—	102	—	24,373
All other loans	42	—	—	—	42
Total	$415,016	$17,808	$17,485	$—	$450,309

As of December 31, 2015

(Dollars are in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Real estate secured:					
Commercial	$85,255	$7,543	$5,771	$—	$98,569
Construction and land development	12,262	1,974	436	—	14,672
Residential 1-4 family	229,182	3,572	10,162	—	242,916
Multifamily	12,264	187	503	—	12,954
Farmland	16,663	2,923	2,588	—	22,174
Total real estate loans	355,626	16,199	19,460	—	391,285
Commercial	20,641	724	104	—	21,469
Agriculture	3,767	—	26	—	3,793
Consumer installment loans	24,478	—	90	—	24,568
All other loans	54	—	—	—	54
Total	$404,566	$16,923	19,680	$—	$441,169

NOTE 7 ALLOWANCE FOR LOAN LOSSES:

The following table details activity in the allowance for loan losses by portfolio segment for the period ended March 31, 2016. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

As of March 31, 2016	Recoveries	Advances	Provisions

(Dollars are in thousands)	Beginning Balance	Charge Offs				Ending Balance
Real estate secured:						
Commercial	$ 2,384	$ (31)	$ 3	$ —	$ (316)	$ 2,040
Construction and land development	332	(5)	14	—	(12)	329
Residential 1-4 family	2,437	(261)	8	—	137	2,321
Multifamily	232	(2)	—	—	49	279
Farmland	675	—	—	—	(1)	674
Total real estate loans	6,060	(299)	25	—	(143)	5,643
Commercial	266	—	4	—	(62)	208
Agriculture	124	—	2	—	8	134
Consumer installment loans	128	(9)	3	—	4	126
All other loans	1	—	—	—	—	1
Unallocated	914	—	—	—	193	1,107
Total	$ 7,493	$ (308)	$ 34	$ —	$ —	$ 7,219

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As of March 31, 2016	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
(Dollars are in thousands)						
Real estate secured:						
Commercial	$150	$ 1,890	$2,040	$5,778	$ 92,866	$98,644
Construction and land development	143	186	329	608	17,369	17,977
Residential 1-4 family	79	2,242	2,321	4,783	241,538	246,321
Multifamily	41	238	279	341	13,089	13,430
Farmland	310	364	674	4,832	18,626	23,458
Total real estate loans	723	4,920	5,643	16,342	383,488	399,830
Commercial	33	175	208	78	22,028	22,106
Agriculture	114	20	134	251	3,707	3,958
Consumer installment loans	3	123	126	54	24,319	24,373
All other loans	—	1	1	—	42	42
Unallocated	—	1,107	1,107	—	—	—
Total	$873	$ 6,346	$7,219	$16,725	$ 433,584	$450,309

The following table details activity in the allowance for loan losses by portfolio segment for the period ended December 31, 2015. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

As of December 31, 2015 (Dollars are in thousands)	Beginning Balance	Charge Offs	Recoveries	Advances	Provisions	Ending Balance
Real estate secured:						
Commercial	$ 4,418	$(724)	$ 147	$ —	$(1,457)	$2,384
Construction and land development	199	(226)	215	—	144	332
Residential 1-4 family	2,572	(743)	93	—	515	2,437
Multifamily	154	(384)	6	—	456	232
Farmland	913	(90)	214	—	(362)	675
Total real estate loans	8,256	(2,167)	675	—	(704)	6,060
Commercial	457	(92)	1,412	—	(1,511)	266
Agriculture	125	—	3	—	(4)	124
Consumer installment loans	171	(101)	41	—	17	128
All other loans	1	—	—	—	—	1
Unallocated	912	—	—	—	2	914
Total	$ 9,922	$(2,360)	$ 2,131	$ —	$(2,200)	$7,493

As of December 31, 2015	Allowance for Loan Losses Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Recorded Investment in Loans Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
(Dollars are in thousands)						
Real estate secured:						
Commercial	$288	$ 2,096	$2,384	$6,715	$ 91,854	$98,569
Construction and land development	155	177	332	299	14,373	14,672
Residential 1-4 family	168	2,269	2,437	4,957	237,959	242,916
Multifamily	—	232	232	430	12,524	12,954
Farmland	328	347	675	4,744	17,430	22,174
Total real estate loans	939	5,121	6,060	17,145	374,140	391,285
Commercial	24	242	266	69	21,400	21,469
Agriculture	18	106	124	54	3,739	3,793
Consumer installment loans	2	126	128	56	24,512	24,568
All other loans	—	1	1	—	54	54
Unallocated	—	914	914	—	—	—
Total	$983	$ 6,510	7,493	$17,324	$ 423,845	$441,169

In determining the amount of our allowance, we rely on an analysis of our loan portfolio, our experience and our evaluation of general economic conditions, as well as the requirements of the written agreement and other regulatory input. If our assumptions prove to be incorrect, our current allowance may not be sufficient to cover future loan losses and we may experience significant increases to our provision.

NOTE 8 TROUBLED DEBT RESTRUCTURINGS:

At March 31, 2016 there were $9.6 million in loans that are classified as troubled debt restructurings compared to $9.5 million at December 31, 2015. The following table presents information related to loans modified as troubled debt restructurings during the three months ended March 31, 2016 and 2015.

Troubled Debt Restructurings (Dollars are in thousands)	For the three months ended March 31, 2016 # of Loans	Pre-Mod. Recorded Investment	Post-Mod. Recorded Investment	For the three months ended March 31, 2015 # of Loans	Pre-Mod. Recorded Investment	Post-Mod. Recorded Investment
Real estate secured:						
Commercial	1	$ 341	$ 339	—	$ —	$ —
	—	—	—	1	551	360

Construction and land Development						
Residential 1-4 family	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
Farmland	—	—	—	—	—	—
Total real estate loans	1	341	339	1	551	360
Commercial	—	—	—	—	—	—
Agriculture	—	—	—	—	—	—
Consumer installment loans	—	—	—	—	—	—
All other loans	—	—	—	—	—	—
Total	1	$ 341	$ 339	1	$ 551	$ 360

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During the three months ended March 31, 2016, the Company modified the terms of one loan for which the modification was considered to be a troubled debt restructuring. The interest rate and maturity date were not modified; however, the payment terms were changed. During the three months ended March 31, 2015, the Company modified the terms of one loan for which the modification was considered to be a troubled debt restructuring. The interest rate was not modified on the loan; however, the maturity date was extended.

There was one commercial real estate loan with a recorded investment of $310 thousand that had been modified as a troubled debt restructuring that defaulted during the three months ended March 31, 2016, which was within twelve months of the loan’s modification date. No loans modified as troubled debt restructurings defaulted during the three months ended March 31, 2015. Generally, a troubled debt restructuring is considered to be in default once it becomes 90 days or more past due following a modification.

In determination of the allowance for loan losses, management considers troubled debt restructurings and subsequent defaults in these restructurings in its estimate. The Company evaluates all troubled debt restructurings for possible further impairment. As a result, the allowance may be increased, adjustments may be made in the allocation of the allowance, or charge-offs may be taken to further writedown the carrying value of the loan.

NOTE 9 OTHER REAL ESTATE OWNED:

The following table summarizes the activity in other real estate owned for the three months ended March 31, 2016 and the year ended December 31, 2015:

(Dollars are in thousands)	March 31, 2016	December 31, 2015
Balance, beginning of period	$12,398	$15,049
Additions	1,063	3,277
Purchases of other real estate owned	—	12
Donation of other real estate owned	—	(33)
Proceeds from sales	(312)	(2,709)
Proceeds from insurance claims	—	(101)
Adjustment of carrying value	4	(3,246)
Deferred gain from sales	—	50
Gain (loss) from sales	43	99
Balance, end of period	$13,196	$12,398

NOTE 10 EARNINGS PER SHARE:

Basic earnings per share computations are based on the weighted average number of shares outstanding during each period. Dilutive earnings per share reflect the additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may be issued relate to outstanding options and common stock warrants are determined by the Treasury method. For the three-months ended March 31, 2016 and 2015, potential common shares of 882,353 and 1,539,877, respectively, were anti-dilutive and were not included in the calculation. Basic and diluted net income per common share calculations follows:

(Amounts in Thousands, Except Share and Per Share Data)	For the three months ended March 31,	
	2016	2015
Net income	$698	$622
Weighted average shares outstanding	23,354,082	22,878,654
Dilutive shares for stock options and warrants	—	—
Weighted average dilutive shares outstanding	23,354,082	22,878,654
Basic income per share	$0.03	$0.03
Diluted income per share	$0.03	$0.03

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NOTE 11 TRUST PREFERRED SECURITIES AND DEFERRAL OF INTEREST PAYMENTS:

On July 7, 2004, the Company completed the issuance of $11.3 million in floating rate trust preferred securities offered by its wholly owned subsidiary, NPB Capital Trust I. The proceeds of the funds were used for general corporate purposes which included capital management for affiliates, retirement of indebtedness and other investments. The securities have a floating rate of 3 month LIBOR plus 260 basis points, which resets quarterly, with a current rate at March 31, 2016 of 3.22%.

On September 27, 2006, the Company completed the issuance of $5.2 million in floating rate trust preferred securities offered by its wholly owned subsidiary, NPB Capital Trust 2. The proceeds of the funds were used for general corporate purposes, which include capital management for affiliates and the acquisition of two branch banks. The securities have a floating rate of 3 month LIBOR plus 177 basis points, which resets quarterly, with a current rate at March 31, 2016 of 2.39%.

Under the terms of the subordinated debt transactions, the securities mature in 30 years from the date of issuance and are redeemable, in whole or in part, without penalty, at the option of the Company after five years. Due to the ability to defer interest and principal payments for 60 months without being considered in default, the regulatory agencies consider the trust preferred securities as Tier 1 capital up to certain limits.

In October 2009, a restriction to pay dividends from the Bank to the Company was issued by the Federal Reserve Bank of Richmond. In July 2010 the Company and the Bank entered into the Written Agreement discussed in Note 3. The Written Agreement prohibited the payment of interest on the trust preferred securities without prior regulatory approval. As a result, interest on trust preferred securities was deferred. This deferral was for a period of 60 months, and was set to expire on January 7, 2015. In the fourth quarter of 2014, the Company requested and received regulatory approval to pay the cumulative deferred interest on the trust preferred securities due on January 7, 2015 totaling $2.5 million, which the Company paid on December 10, 2014. As a result of this payment there was no interest in arrears on the trust preferred securities as of December 31, 2014.

The Company is currently not deferring the quarterly interest payments on the trust preferred securities. However, as discussed above, regulatory approval was needed to pay the interest while the Company was under the formal Written Agreement. In March 2015 the Company requested and received regulatory approval to pay the $107 thousand in interest on the trust preferred securities due on April 7, 2015, which the Company paid on April 3, 2015. In June 2015 the Company requested and received regulatory approval to pay the $109 thousand in interest on the trust preferred securities due on July 7, 2015, which the Company paid on July 2, 2015. In September 2015 the Company requested and received regulatory approval to pay the $111 thousand in interest on the trust preferred securities due on October 7, 2015, which the Company paid on October 5, 2015. In December 2015 the Company requested and received regulatory approval to pay the $112 thousand in interest on the trust preferred securities due on January 7, 2016, which the Company paid on January 5, 2016.

The restriction requiring regulatory approval before the payment of interest on the trust preferred securities was lifted when the Written Agreement was terminated effective January 20, 2016. On April 4, 2016, the Company paid $124 thousand in interest on the trust preferred securities, which was due on April 7, 2016.

NOTE 12 FAIR VALUES:

The financial reporting standard, “Fair Value Measurements and Disclosures” provides a framework for measuring fair value under generally accepted accounting principles and requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans and other real estate acquired through foreclosure).

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair Value Measurements and Disclosures also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an exchange market, as well as U. S. Treasury, other U. S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts and impaired loans.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly structured or long-term derivative contracts.

Investment Securities Available-for-Sale – Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices. The Company’s available-for-sale securities, totaling $84.7 million and $101.6 million at March 31, 2016 and December 31, 2015, respectively, are the only assets whose fair values are measured on a recurring basis using Level 2 inputs from an independent pricing service.

Loans - The Company does not record loans at fair value on a recurring basis. Real estate serves as collateral on a substantial majority of the Company’s loans. When a loan is considered impaired a specific reserve may be established. Loans which are deemed to be impaired and require a reserve are primarily valued on a non-recurring basis at the fair values of the underlying real estate collateral. Such fair values are obtained using independent appraisals, which management evaluates and determines whether or not the fair value of the collateral is further impaired below the appraised value and there is no observable market price, or whether or not an appraised value does not include estimated costs of disposition. The Company records impaired loans as nonrecurring Level 3 assets. The aggregate carrying amounts of impaired loans carried at fair value were $15.9 million and $16.3 million at March 31, 2016 and December 31, 2015, respectively.

Foreclosed Assets **–** Foreclosed assets are adjusted to fair value upon transfer of the loans to foreclosed assets. Foreclosed assets are carried at the lower of the carrying value or fair value. Fair value is based upon independent observable market prices or appraised values of the collateral with a third party less an estimate of disposition costs, which the Company considers to be level 2 inputs. When the appraised value is not available, management determines the fair value of the collateral if further impaired below the appraised value and there is no observable market price, or an appraised value does not include estimated costs of disposition and management must make an estimate, the Company records the foreclosed asset as nonrecurring Level 3. The aggregate carrying amounts of foreclosed assets were $13.2 million and $12.4 million at March 31, 2016 and December 31, 2015, respectively.

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Assets and liabilities measured at fair value are as follows as of March 31, 2016 (for purpose of this table the impaired loans are shown net of the related allowance):

(Dollars are in thousands)	Quoted market price in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(On a recurring basis)			
Available-for-sale investments			
U.S. Government Agencies	$ —	$ 35,125	$ —
Taxable municipals	—	2,432	—
Corporate bonds	—	2,016	—
Mortgage backed securities	—	45,137	—
(On a non-recurring basis) Other real estate owned	—	—	13,196
Impaired loans:			
Real estate secured:			
Commercial	—	—	5,628
Construction and land development	—	—	465
Residential 1-4 family	—	—	4,704
Multifamily	—	—	300
Farmland	—	—	4,522
Commercial	—	—	45
Agriculture	—	—	137
Consumer installment loans	—	—	51
All other loans	—	—	—
Total	$ —	$ 84,710	$ 29,048

Assets and liabilities measured at fair value are as follows as of December 31, 2015 (for purpose of this table the impaired loans are shown net of the related allowance):

(Dollars are in thousands)	Quoted market price in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(On a recurring basis)			
Available-for-sale investments			
U.S. Government Agencies	$ —	$ 41,523	$ —
Taxable municipals	—	3,281	—
Corporate bonds	—	1,939	—
Mortgage backed securities	—	54,899	—
(On a non-recurring basis) Other real estate owned	—	—	12,398
Impaired loans:			
Real estate secured:			
Commercial	—	—	6,427
Construction and land development	—	—	144
Residential 1-4 family	—	—	4,789
Multifamily	—	—	430
Farmland	—	—	4,416
Commercial	—	—	45
Agriculture	—	—	36
Consumer installment loans	—	—	54
All other loans	—	—	—
Total	$ —	$ 101,642	$ 28,739

For Level 3 assets measured at fair value on a recurring or non-recurring basis as of March 31, 2016, the significant unobservable inputs used in the fair value measurements were as follows:

For Level 3 assets measured at fair value on a recurring or non-recurring basis as of March 31, 2014, the significant unobservable inputs used in the fair value measurements were as follows:

(Dollars in thousands)	Fair Value at March	Valuation Technique	Significant Unobservable Inputs	General Range of Significant Unobservable Input

	31, 2016			Values
Impaired Loans	$15,852	Appraised Value/Discounted Cash Flows/Market Value of Note	Discounts to reflect current market conditions, ultimate collectability, and estimated costs to sell	0 – 18%
Other Real Estate Owned	$13,196	Appraised Value/Comparable Sales/Other Estimates from Independent Sources	Discounts to reflect current market conditions and estimated costs to sell	0 – 18%

Fair Value of Financial Instruments

Fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practical to estimate the value is based upon the characteristics of the instruments and relevant market information. Financial instruments include cash, evidence of ownership in an entity, or contracts that convey or impose on an entity that contractual right or obligation to either receive or deliver cash for another financial instrument.

The following summary presents the methodologies and assumptions used to estimate the fair value of the Company's financial instruments presented below. The information used to determine fair value is highly subjective and judgmental in nature and, therefore, the results may not be precise. Subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Since the fair value is estimated as of the balance sheet date, the amounts that will actually be realized or paid upon settlement or maturity on these various instruments could be significantly different.

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments as of March 31, 2016 and December 31, 2015. This table excludes financial instruments for which the carrying amount approximates fair value. The carrying value of cash and due from banks, federal funds sold, interest-bearing deposits, deposits with no stated maturities, trust preferred securities and accrued interest approximates fair value. The remaining financial instruments were valued based on the present value of estimated future cash flows, discounted at various rates in effect for similar instruments as of March 31, 2016 and December 31, 2015.

(Dollars are in thousands)	Carrying Amount	Fair Value	Fair Value Measurements Quoted market price in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
March 31, 2016					
Financial Instruments – Assets					
Net Loans	$443,090	$445,827	$—	$429,975	$ 15,852
Financial Instruments – Liabilities					
Time Deposits	251,295	250,854	—	250,854	—
FHLB Advances	12,658	12,658	—	12,658	—
December 31, 2015					

Financial Instruments – Assets					
Net Loans	$433,676	$438,589	$—	$422,248	$ 16,341
Financial Instruments – Liabilities					
Time Deposits	256,978	256,797	—	256,797	—
FHLB Advances	2,958	2,958	—	2,958	—

NOTE 13 RECENT ACCOUNTING DEVELOPMENTS:

The following is a summary of recent authoritative announcements:

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Company for reporting periods beginning after December 15, 2017. The Company will apply the guidance using a modified retrospective approach. The Company does not expect these amendments to have a material effect on its financial statements.

In January 2015, the FASB issued guidance to eliminate from U.S. GAAP the concept of an extraordinary item, which is an event or transaction that is both (1) unusual in nature and (2) infrequently occurring. Under the new guidance, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. The amendments will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company applied the guidance prospectively. Adoption of these amendments did not have a material effect on the Company's financial statements.

In February 2015, the FASB issued guidance which amends the consolidation requirements and significantly changes the consolidation analysis required under U.S. GAAP. Although the amendments are expected to result in the deconsolidation of many entities, the Company will need to reevaluate all its previous consolidation conclusions. The amendments will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted (including during an interim period), provided that the guidance is applied as of the beginning of the annual period containing the adoption date. Adoption of these amendments did not have a material effect on the Company's financial statements.

In June 2015, the FASB issued amendments to clarify the Accounting Standards Codification ("ASC"), correct unintended application