

F&M BANK CORP
Form 10-Q
November 13, 2012

Financial Statements

F & M Bank Corp.

September 30, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2012.

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 000-13273

F & M BANK CORP.

Virginia
(State or Other Jurisdiction of Incorporation
or Organization)

54-1280811
(I.R.S. Employer Identification No.)

P. O. Box 1111
Timberville, Virginia 22853
(Address of Principal Executive Offices) (Zip Code)

(540) 896-8941
(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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 definition 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 (Do not check if a smaller reporting company) Smaller reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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State the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 9, 2012
Common Stock, par value - \$5	2,498,157 shares

F & M BANK CORP.

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PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

F & M BANK CORP.
Consolidated Statements of Income

(In Thousands of Dollars Except per Share Amounts)
(Unaudited)

	Three Months Ended September 30,	
	2012	2011
Interest income		
Interest and fees on loans held for investment	\$6,454	\$6,540
Interest and fees on loans held for sale	531	420
Interest on federal funds sold	3	2
Interest on interest bearing deposits	1	8
Dividends on equity securities	-	21
Interest on debt securities	37	35
Total interest income	7,026	7,026
Interest expense		
Interest on demand deposits	290	387
Interest on savings accounts	47	50
Interest on time deposits over \$100,000	225	303
Interest on other time deposits	502	606
Total interest on deposits	1,064	1,346
Interest on short-term debt	15	11
Interest on long-term debt	494	544
Total interest expense	1,573	1,901
Net interest income	5,453	5,125
Provision for loan losses	900	900
Net interest income after provision for loan losses	4,553	4,225
Noninterest income		
Service charges	290	296
Insurance and other commissions	236	162
Other	360	264
Income on bank owned life insurance	146	89
Gain on the sale of securities	-	736
Total noninterest income	1,032	1,547
Noninterest expense		
Salaries	1,448	1,409
Employee benefits	496	435
Occupancy expense	149	136
Equipment expense	131	148
FDIC insurance assessment	174	23

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Other	1,066	933
Total noninterest expense	3,464	3,084
Income before income taxes	2,121	2,688
Income tax expense	702	1,330
Consolidated net income	1,419	1,358
Net income - Noncontrolling interest	(37)	(20)
Net Income – F & M Bank Corp	\$1,382	\$1,338
Per share data		
Net income	\$.56	\$.54
Cash dividends	\$.17	\$.15
Weighted average shares outstanding	2,497,142	2,490,109

See notes to unaudited consolidated financial statements

F & M BANK CORP.

Consolidated Statements of Income
(In Thousands of Dollars Except per Share Amounts)
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Interest income		
Interest and fees on loans held for investment	\$18,941	\$19,553
Interest and fees on loans held for sale	1,127	731
Interest on federal funds sold	22	28
Interest on interest bearing deposits	4	24
Dividends on equity securities	-	108
Interest on debt securities	147	169
Total interest income	20,241	20,613
Interest expense		
Interest on demand deposits	954	1,248
Interest on savings accounts	149	145
Interest on time deposits over \$100,000	683	899
Interest on time deposits	1,559	1,856
Total interest on deposits	3,345	4,148
Interest on short-term debt	26	20
Interest on long-term debt	1,521	1,751
Total Interest Expense	4,892	5,919
Net interest income	15,349	14,694
Provision for loan losses	2,700	3,100
Net interest income after provision for loan losses	12,649	11,594
Noninterest income		
Service charges	865	815
Insurance and other commissions	585	396
Other	970	927
Income on bank owned life insurance	335	264
Other than temporary impairment losses	-	(57)
Gain on the sale of securities	-	1,082
Total noninterest income	2,755	3,427
Noninterest expense		
Salaries	4,326	4,104
Employee benefits	1,470	1,340
Occupancy expense	418	411
Equipment expense	417	445
Intangible amortization	-	46
FDIC insurance assessment	536	591
Other	2,862	2,758
Total noninterest expense	10,029	9,695

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Income before income taxes	5,375	5,326
Income taxes	1,630	2,031
Consolidated net income	3,745	3,295
Net income – Noncontrolling interest	(88)	(40)
Net Income – F & M Bank Corp	\$3,657	\$3,255
Per share data		
Net income	\$1.47	\$1.34
Cash dividends	\$.48	\$.45
Weighted average shares outstanding	2,495,461	2,435,686

See notes to unaudited consolidated financial statements

F & M BANK CORP.
Consolidated Statements of Comprehensive Income
(In Thousands of Dollars)
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011
Net Income:				
Net Income – F & M Bank Corp	\$3,657	\$3,255	\$1,382	\$1,338
Net Income attributable to noncontrolling interest	88	40	37	20
	3,745	3,295	1,419	1,358
Other comprehensive income (loss):				
Prepaid pension adjustment	-	(52)	-	-
Unrealized holding gains (losses) on available-for-sale securities				
	99	164	22	(172)
Reclassification adjustment for other than temporary impairment losses		57		
Reclassification adjustment for (gains) losses realized in income	-	(1,082)	-	(572)
Net unrealized gains (losses)	39	(926)	22	(744)
Tax effect	13	315	7	253
Unrealized holding gain (loss), net of tax	26	(611)	15	(491)
Total other comprehensive income (loss)	26	(611)	15	(491)
Comprehensive income	\$3,771	\$2,632	\$1,434	\$867

See notes to unaudited consolidated financial statements

F & M BANK CORP.
Consolidated Balance Sheets
(In Thousands of Dollars Except per Share Amounts)

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
Assets		
Cash and due from banks	\$5,865	\$6,813
Federal funds sold	6,732	2,181
Cash and cash equivalents	12,597	8,994
Interest bearing deposits in banks	511	1,188
Securities: (note 2)		
Held to maturity – fair value of \$108,000 in 2012 and 2011	107	108
Available for sale	10,873	13,127
Other investments	8,917	8,872
Loans held for sale	71,417	60,543
Loans held for investment (note 3)	456,801	451,570
Less allowance for loan losses (note 4)	(7,870)	(6,937)
Net loans held for investment	448,931	444,633
Other real estate owned	2,962	3,074
Bank premises and equipment, net	6,551	6,477
Interest receivable	1,718	1,816
Goodwill	2,670	2,670
Bank owned life insurance	11,546	7,179
Other assets	8,806	8,053
Total assets	\$587,606	\$566,734
Liabilities		
Deposits:		
Noninterest bearing	\$77,203	\$70,789
Interest bearing:		
Demand	95,478	96,683
Money market accounts	23,755	25,177
Savings	47,315	39,940
Time deposits over \$100,000	68,349	66,538
All other time deposits	133,357	136,820
Total deposits	445,457	435,947
Short-term debt	35,691	18,539
Accrued liabilities	9,289	8,770
Subordinated debt	10,191	10,191
Long-term debt	38,143	47,107
Total liabilities	538,771	520,554
Stockholders' Equity		
Common stock, \$5 par value, 6,000,000 shares authorized,		

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2,497,988 and 2,487,197 shares issued and outstanding in 2012 and 2011, respectively	12,490	12,464
Retained earnings	38,067	35,552
Noncontrolling interest	304	216
Accumulated other comprehensive loss	(2,026)	(2,052)
Total stockholders' equity	48,835	46,180
Total liabilities and stockholders' equity	\$ 587,606	\$ 566,734

See notes to unaudited consolidated financial statements

F & M BANK CORP.
Consolidated Statements of Cash Flows
(In Thousands of Dollars)
(Unaudited)

	Nine Months Ended September 30	
	2012	2011
Cash flows from operating activities		
Net income	\$3,657	\$3,255
Net change – Noncontrolling interest	88	9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	453	457
Amortization of security premiums, net	63	44
Net (increase) decrease in loans held for sale	(10,874)	(41,189)
Provision for loan losses	2,700	3,100
Intangible amortization	-	46
Decrease in interest receivable	98	319
(Increase) decrease in other assets	1,710	(826)
Gain on sale of fixed assets	-	(86)
Decrease in accrued expenses	(1,928)	(25)
Gain on security transactions	-	(1,025)
Amortization of limited partnership investments	394	349