

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

Financial Statements

F & M Bank Corp.

September 30, 2012

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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

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F &amp; 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 &amp; 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)
<b>Assets</b>		
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
<b>Total assets</b>	<b>\$587,606</b>	<b>\$566,734</b>
<b>Liabilities</b>		
<b>Deposits:</b>		
Noninterest bearing	\$77,203	\$70,789
<b>Interest bearing:</b>		
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
<b>Total deposits</b>	<b>445,457</b>	<b>435,947</b>
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
<b>Total liabilities</b>	<b>538,771</b>	<b>520,554</b>
<b>Stockholders' Equity</b>		
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

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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
Income from life insurance investment	(335 )	(221 )
Other Real Estate Owned valuation adjustments	295	-
Gain on Other Real Estate Owned	(66 )	90
Net adjustments	(7,490 )	(38,967 )
Net cash provided by (used in) operating activities	( 3,745 )	(35,703 )
Cash flows from investing activities		
Purchase of investments available for sale	(16,196 )	(14,969 )
Proceeds from maturity of investments available for sale	17,989	4,191
Proceeds from sales of investments available for sale	-	15,684
Net (increase) decrease in loans held for investment	(9,054 )	(12,864 )
Proceeds from the sale of other real estate owned	1,941	1,494
Proceeds from the sale of fixed assets	-	277
Purchase of property and equipment	(527 )	(188 )
Net (increase) decrease in interest bearing bank deposits	677	524
Purchase of bank owned life insurance	(4,064 )	-
Net cash used in investing activities	(9,234 )	(5,851 )
Cash flows from financing activities		
Net change in demand and savings deposits	11,162	14,246
Net change in time deposits	(1,652 )	6,490
Net change in short-term debt	17,152	10,434
Cash dividends paid	(1,198 )	(1,093 )
Proceeds from rights offering	-	2,381
Proceeds from issuance of common stock	82	73
Proceeds from long-term debt	-	247

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Repayment of long-term debt	(8,964 )	(6,321 )
Net cash provided by (used in) financing activities	16,582	26,457
Net Increase (Decrease) in Cash and Cash Equivalents	3,603	(15,097 )
Cash and cash equivalents, beginning of period	8,994	20,924
Cash and cash equivalents, end of period	\$12,597	\$5,827
Supplemental disclosure		
Cash paid for:		
Interest expense	\$4,727	\$5,942
Income taxes	1,200	1,000
Transfers from loans to Other Real Estate Owned	2,058	3,211

See notes to unaudited consolidated financial statements

F & M BANK CORP.  
 Consolidated Statements of Changes in Stockholders' Equity  
 (In Thousands of Dollars)  
 (Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Balance, beginning of period	\$46,180	\$42,229
<b>Comprehensive income</b>		
Net income – F & M Bank Corp	3,657	3,255
Net income attributable to noncontrolling interest	88	40
Prepaid pension adjustment	-	(52 )
Net change in unrealized appreciation on securities available for sale, net of taxes	26	(611 )
Total comprehensive income	3,771	2,632
Minority Interest Contributed Capital (Distributions)	-	(31 )
Issuance of common stock	82	2,454
Dividends declared	(1,198 )	(1,093 )
Balance, end of period	\$48,835	\$46,191

See notes to unaudited consolidated financial statements

F & M BANK CORP.  
Notes to (unaudited) Consolidated Financial Statements

Note 1. Accounting Principles

The consolidated financial statements include the accounts of F & M Bank Corp. and its subsidiaries (the “Company”). Significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements conform to accounting principles generally accepted in the United States of America and to general industry practices. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2012 and the results of operations for the quarters and nine month periods ended September 30, 2012 and September 30, 2011. The notes included herein should be read in conjunction with the notes to financial statements included in the 2011 annual report to stockholders of F & M Bank Corp.

The Company does not expect the anticipated adoption of any newly issued accounting standards to have a material impact on future operations or financial position.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities and gains or losses on certain derivative contracts, are reported as a separate component of the equity section of the balance sheet. Such items, along with operating net income, are components of comprehensive income.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

Loans

Loans are carried on the balance sheet net of any unearned interest and the allowance for loan losses. Interest income on loans is determined using the effective interest method on the daily amount of principal outstanding except where serious doubt exists as to collectability of the loan, in which case the accrual of income is discontinued.

Allowance for Loan Losses

The provision for loan losses charged to operations is an amount sufficient to bring the allowance for loan losses to an estimated balance that management considers adequate to absorb potential losses in the portfolio. Loans are charged against the allowance when management believes the collectability of the principal is unlikely. Recoveries of amounts previously charged-off are credited to the allowance. Management’s determination of the adequacy of the allowance is based on an evaluation of the composition of the loan portfolio, the value and adequacy of collateral, current economic conditions, historical loan loss experience, and other risk factors. Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, particularly those affecting real estate values. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company’s allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their



examination.

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F & M BANK CORP.  
Notes to (unaudited) Consolidated Financial Statements

Note 1. Accounting Principles, continued

Allowance for Loan Losses, continued

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Nonaccrual Loans

Commercial loans are placed on nonaccrual status when they become ninety days or more past due, unless there is an expectation that the loan will either be brought current or paid in full in a reasonable period of time. Interest accruals are generally continued on past due, secured residential real estate loans and consumer purpose loans until the principal and accrued interest equal the value of the collateral and on unsecured loans until the financial condition of the borrower deteriorates to the point that any further accrued interest would be determined to be uncollectible.

Note 2. Investment Securities

Investment securities available for sale are carried in the consolidated balance sheets at their approximate market value, amortized cost and unrealized gains and losses at September 30, 2012 and December 31, 2011 are reflected in the table below. The amortized costs of investment securities held to maturity are carried in the consolidated balance sheets and their approximate market values at September 30, 2012 and December 31, 2011 are as follows:

	2012		2011	
	Cost	Market Value	Cost	Market Value
U. S. Treasury and agency obligations	\$107	\$107	\$ 108	\$108
Total	\$107	\$107	\$ 108	\$108
		September 30, 2012		
		Unrealized		
	Cost	Gains	Losses	Market Value
Securities available for sale				
Government sponsored enterprises	\$9,018	\$27	\$2	\$9,043
Mortgage-backed securities	1,785	45	-	1,830
Total	\$10,803	\$72	\$2	\$10,873

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	Cost	December 31, 2011		Market Value
		Unrealized Gains	Unrealized Losses	
Securities available for sale				
Government sponsored enterprises	\$11,034	\$36	\$6	\$11,064
Mortgage-backed securities	2,063	-	-	2,063
<b>Total</b>	<b>\$13,097</b>	<b>\$36</b>	<b>\$6</b>	<b>\$13,127</b>

F & M BANK CORP.  
Notes to (unaudited) Consolidated Financial Statements

## Note 2. Investment Securities, continued

The amortized cost and fair value of securities at September 30, 2012, by contractual maturity are shown below. 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.

	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$107	\$107	\$-	\$-
Due after one year through five years	-	-	9,018	9,043
Due after five years	-	-	1,785	1,830
Total	\$107	\$107	\$10,803	\$10,873

There were no gains and losses on sales of debt and equity securities in the first nine months of 2012. Gains and losses for the nine and three months ended September 30, 2011 are as follows:

	Nine Months Ended September 30, 2011	Three Months Ended September 30, 2011
Gains	\$1,144	\$798
Losses	(62 )	(62 )
Net Gains	\$1,082	\$736

## Securities Impairment

The Company follows the guidance in ASC 320-10 and Staff Accounting Bulletin (SAB) Topic 5M, Other Than Temporary Impairment in evaluating if these impairments are temporary or other than temporary in nature. This determination is made on an investment by investment basis and includes all available evidence at the time of the determination including the following:

- The length of time of impairment;
- The extent of the impairment relative to the cost of the investment;
- Recent volatility in the market value of the investment;
- The financial condition and near-term prospects of the issuer, including any specific events which may impair the earnings potential of the issuer; or
- The intent and ability of the Company to hold its investment for a period of time sufficient to allow for any anticipated recovery in market value.

The following description provides our policies/procedures for the evaluation for Other Than Temporary Impairment (OTTI):

We begin our evaluation using a default position that OTTI has occurred and then use all available evidence to determine whether prospects for the individual security are sufficient to support temporary impairment at the date of the SEC filing. This evaluation will be conducted at each filing date.

For purposes of determining OTTI, the security value recovery period will be projected for a maximum of a two year holding period. This will be the maximum; a shorter period may be used when there are particular conditions related to the individual security which make recovery unlikely.

The primary focus in determining whether a security is OTTI, and projecting potential recovery, is the prospects for the individual security, rather than broad market indices. All available evidentiary material is considered, including the Company's public filings with the SEC, press releases, analyst reports, etc.

F & M BANK CORP.  
Notes to (unaudited) Consolidated Financial Statements

Note 2. Investment Securities, continued

Securities Impairment continued

Secondary consideration is given to historic returns, but only to the extent that this evidence is instructive in determining whether the individual security has shown a history of outperforming (or underperforming) the market (or industry) in prior economic cycles. These factors are only considered when the declines in value are not limited to the individual security, but were prevalent over the broader market. This measure is considered to aid in determining whether OTTI should be recognized earlier, rather than later (i.e. a security which underperforms relative to the industry or market will result in early recognition of OTTI). In no event will OTTI recognition be delayed beyond the two year projection period.

OTTI may be recognized as early as quarter 1, regardless of holding period projections, when there are specific factors relative to the security which make recovery unlikely. These factors could include evidence contained in the aforementioned SEC filings, press releases, analyst reports, but may also be based on the severity of the impairment.

Situations where a security has declined in value more rapidly than the industry (or market), absent strong evidence supporting prospects for recovery, will result in OTTI being recognized in quarter 1 or quarter 2 rather than continuing to evaluate the security over several quarters, based on holding period projections.

Declines determined to be other than temporary are charged to operations; there were no OTTI charges in the first nine months of 2012 or the first or third quarters of 2011. There were \$57,000 of charges to OTTI in the second quarter of 2011.

The fair value and gross unrealized losses for securities, segregated by the length of time that individual securities have been in a continuous gross unrealized loss position, at September 30, 2012 and December 31, 2011 were as follows (dollars in thousands):

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2012						
Government sponsored Enterprises	\$1,998	\$(2 )	\$-	\$-	\$1,998	\$(2 )
Total	\$1,998	\$(2 )	\$-	\$-	\$1,998	\$(2 )
December 31, 2011						
Government sponsored Enterprises	\$5,033	\$(6 )	\$-	\$-	\$5,033	\$(6 )
Total	\$5,033	\$(6 )	\$-	\$-	\$5,033	\$(6 )

Other investments, which consist of stock of correspondent banks and investments in low income housing projects, increased since December 31, 2011. This increase is due to FHLB stock purchase required with new advance and regular amortization of the carrying value of the investment in low income housing projects.



F & M BANK CORP.  
Notes to (unaudited) Consolidated Financial Statements

## Note 3. Loans Held for Investment

Loans outstanding at September 30, 2012 and December 31, 2011 are summarized as follows:

	2012	2011
Commercial	\$167,492	\$170,157
Real Estate	213,366	208,244
Home Equity	60,956	57,259
Credit cards	2,707	2,813
Consumer	12,280	13,097
Total	\$456,801	\$451,570

The following is a summary of information pertaining to impaired loans (in thousands):

September 30, 2012	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans without a valuation allowance					
Real Estate	\$3,755	\$3,755	\$-	\$3,830	\$169
Commercial	51	51	-	406	6
Home Equity	610	610	-	558	19
Other	205	205	-	164	6
	4,621	4,621	-	4,958	200
Impaired loans with a valuation allowance					
Real Estate	7,683	7,683	994	7,794	172
Commercial	4,437	4,437	608	1,315	24
Home Equity	942	942	148	395	27
Other	711	711	172	494	1
	13,773	13,773	1,922	9,998	224
Total impaired loans	\$18,394	\$18,394	\$1,922	\$14,956	\$424



F & M BANK CORP.  
Notes to (unaudited) Consolidated Financial Statements

## Note 3. Loans Held for Investment, continued

The Recorded Investment is defined as the principal balance less principal payments and charge-offs.

December 31, 2011	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans without a valuation allowance					
Real Estate	\$3,174	\$3,174	-	\$4,493	\$ 190
Commercial	45	45	-	1,064	3
Home Equity	709	709	-	757	30
Other	72	72	-	165	5
	4,000	4,000	-	6,479	228
Impaired loans with a valuation allowance					
Real Estate	5,678	5,678	697	6,107	238
Commercial	568	568	268	948	2
Home Equity	313	313	29	316	21
Other	56	56	8	11	2
	6,615	6,615	1,002	7,382	263
Total impaired loans	\$10,615	\$10,615	\$1,002	\$13,861	\$491

## F &amp; M BANK CORP.

## Notes to (unaudited) Consolidated Financial Statements

## Note 4. Allowance for Loan Losses

A summary of the allowance for loan losses follows:

Nine Months Ended September 30, 2012	Commercial	Real Estate	Home Equity	Credit Cards	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	\$ 1,567	\$ 1,684	\$ 456	\$ 79	\$ 71	\$ 3,080	\$ 6,937
Charge-offs	(1,115 )	(885 )	(50 )	(36 )	(11 )	-	(2,097 )
Recoveries	89	189	-	29	23	-	330
Provision	1,301	1,002	208	4	162	23	2,700
Ending Balance	\$ 1,842	\$ 1,990	\$ 614	\$ 76	\$ 245	\$ 3,103	\$ 7,870

Three Months Ended September 30, 2012	Commercial	Real Estate	Home Equity	Credit Cards	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	\$ 1,370	\$ 2,034	\$ 467	\$ 75	\$ 246	\$ 3,415	\$ 7,307
Charge-offs	(592 )	(284 )	-	(9 )	-	-	(885 )
Recoveries	44	189	-	7	8	-	248
Provision	1,020	51	147	3	(9 )	(312 )	900
Ending Balance	\$ 1,842	\$ 1,990	\$ 614	\$ 76	\$ 245	\$ 3,103	\$ 7,870

Nine Months Ended September 30, 2011	Commercial	Real Estate	Home Equity	Credit Cards	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	\$ 1,724	\$ 1,814	\$ 407	\$ 59	\$ 111	\$ 1,671	\$ 5,786
Charge-offs	(973 )	(783 )	(306 )	(60 )	(72 )	-	(2,194 )
Recoveries	56	9	27	22	38	-	152
Provision	1,244	425	172	37	24	1,198	3,100
Ending Balance	\$ 2,051	\$ 1,465	\$ 300	\$ 58	\$ 101	\$ 2,869	\$ 6,844

Three Months Ended September 30, 2011	Commercial	Real Estate	Home Equity	Credit Cards	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	\$ 1,812	\$ 1,784	\$ 381	\$ 57	\$ 435	\$ 2,039	\$ 6,508
Charge-offs	(520 )	(77 )	(250 )	(15 )	238	-	(624 )
Recoveries	24	-	-	8	28	-	60
Provision	735	(242 )	169	8	(600 )	830	900
Ending Balance	\$ 2,051	\$ 1,465	\$ 300	\$ 58	\$ 101	\$ 2,869	\$ 6,844

F & M BANK CORP.  
Notes to (unaudited) Consolidated Financial Statements

Note 4. Allowance for Loan Losses, continued

A summary of transactions in the allowance for loan losses follows:

September 30, 2012	Commercial	Real Estate	Home Equity	Credit Cards	Consumer	Unallocated	Total
Allowance for loan losses:	\$ 1,842	\$ 1,990	\$ 614	\$ 76	\$ 245	\$ 3,103	\$ 7,870
Individually evaluated for impairment	\$ 608	\$ 994	\$ 148	\$ -	\$		