

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

Financial Statements

F & M Bank Corp.

June 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 June 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)

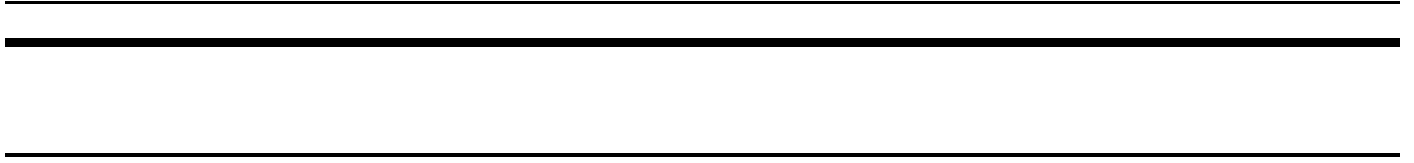
Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 August 9, 2012
Common Stock, par value - \$5	2,496,402 shares



F & M BANK CORP.

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Part I Financial Information

ITEM FINANCIAL STATEMENTS

1.

F & M BANK CORP.

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

	Three Months Ended June 30,	
	2012	2011
Interest income		
Interest and fees on loans held for investment	\$6,227	\$6,644
Interest and fees on loans held for sale	217	214
Interest on federal funds sold	12	8
Interest on interest bearing deposits	1	8
Dividends on equity securities	-	53
Interest on debt securities	65	67
Total interest income	6,522	6,994
Interest expense		
Interest on demand deposits	318	430
Interest on savings accounts	53	48
Interest on time deposits over \$100,000	224	296
Interest on other time deposits	515	623
Total interest on deposits	1,110	1,397
Interest on short-term debt	5	4
Interest on long-term debt	508	585
Total interest expense	1,623	1,986
Net interest income	4,899	5,008
Provision for loan losses	900	1,100
Net interest income after provision for loan losses	3,999	3,908
Noninterest income		
Service charges	291	279
Insurance and other commissions	216	162
Other	312	271
Income on bank owned life insurance	129	88
Other than temporary impairment losses	-	(57)
Gain on the sale of securities	-	346
Total noninterest income	948	1,089
Noninterest expense		
Salaries	1,451	1,370
Employee benefits	494	459
Occupancy expense	134	140

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Equipment expense	142	148
FDIC insurance assessment	181	285
Other	912	937
Total noninterest expense	3,314	3,339
Income before income taxes	1,633	1,658
Income tax expense	454	406
Consolidated net income	1,179	1,252
Net income - Noncontrolling interest	(39)	(21)
Net Income – F & M Bank Corp	\$1,140	\$1,231
Per share data		
Net income	\$.46	\$.49
Cash dividends	\$.16	\$.15
Weighted average shares outstanding	2,495,464	2,488,306

See notes to unaudited consolidated financial statements

F & M BANK CORP.

Consolidated Statements of Income

(In Thousands of Dollars Except per Share Amounts)

(Unaudited)

	Six Months Ended June 30,	
	2012	2011
Interest income		
Interest and fees on loans held for investment	\$12,487	\$13,013
Interest and fees on loans held for sale	596	311
Interest on federal funds sold	19	26
Interest on interest bearing deposits	3	16
Dividends on equity securities	-	87
Interest on debt securities	110	134
Total interest income	13,215	13,587
Interest expense		
Interest on demand deposits	664	861
Interest on savings accounts	102	95
Interest on time deposits over \$100,000	458	596
Interest on time deposits	1,057	1,250
Total interest on deposits	2,281	2,802
Interest on short-term debt	11	9
Interest on long-term debt	1,027	1,207
Total Interest Expense	3,319	4,018
Net interest income	9,896	9,569
Provision for loan losses	1,800	2,200
Net interest income after provision for loan losses	8,096	7,369
Noninterest income		
Service charges	575	519
Insurance and other commissions	349	234
Other	610	663
Income on bank owned life insurance	189	175
Other than temporary impairment losses	-	(57)
Gain on the sale of securities	-	346
Total noninterest income	1,723	1,880
Noninterest expense		
Salaries	2,878	2,695
Employee benefits	974	905
Occupancy expense	269	275
Equipment expense	286	297
Intangible amortization	-	46
FDIC insurance assessment	362	568
Other	1,796	1,825
Total noninterest expense	6,565	6,611

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Income before income taxes	3,254	2,638
Income taxes	928	701
Consolidated net income	2,326	1,937
Net income – Noncontrolling interest	(51)	(20)
Net Income – F & M Bank Corp	\$2,275	\$1,917
Per share data		
Net income	\$.91	\$.80
Cash dividends	\$.31	\$.30
Weighted average shares outstanding	2,494,611	2,408,023

See notes to unaudited consolidated financial statements

F & M BANK CORP.

Consolidated Statements of Comprehensive Income
(In Thousands of Dollars)
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2012	2011	2012	2011
Net Income:				
Net Income – F & M Bank Corp	\$ 2,275	\$ 1,917	\$1,140	\$ 1,231
Net Income attributable to noncontrolling interest	51	20	39	21
	2,326	1,937	1,179	1,252
Other comprehensive income (loss):				
Prepaid pension adjustment	-	(52)	-	-
Unrealized holding gains (losses) on available-for-sale securities	17	164	23	(4)
Reclassification adjustment for (gains) losses realized in income	-	(346)	-	(346)
Net unrealized gains (losses)	17	(182)	23	(350)
Tax effect	6	62	8	119
Unrealized holding gain (loss), net of tax	11	(120)	15	(231)
Total other comprehensive income (loss)	11	(172)	15	(231)
Comprehensive income	\$ 2,337	\$ 1,765	\$1,194	\$ 1,021

See notes to unaudited consolidated financial statements

F & M BANK CORP.

Consolidated Balance Sheets

(In Thousands of Dollars Except per Share Amounts)

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
Assets		
Cash and due from banks	\$6,359	\$6,813
Federal funds sold	6,560	2,181
Cash and cash equivalents	12,919	8,994
Interest bearing deposits in banks	1,048	1,188
Securities: (note 2)		
Held to maturity – fair value of \$108,000 in 2012 and 2011	108	108
Available for sale	13,010	13,127
Other investments	7,924	8,872
Loans held for sale	40,984	60,543
Loans held for investment (note 3)	450,540	451,570
Less allowance for loan losses (note 4)	(7,607)	(6,937)
Net loans held for investment	442,933	444,633
Other real estate owned		
Bank premises and equipment, net	3,317	3,074
Interest receivable	6,624	6,477
Goodwill	1,700	1,816
Bank owned life insurance	2,670	2,670
Other assets	11,430	7,179
Total assets	\$553,873	\$566,734
Liabilities		
Deposits:		
Noninterest bearing	\$74,317	\$70,789
Interest bearing:		
Demand	96,933	96,683
Money market accounts	20,972	25,177
Savings	47,322	39,940
Time deposits over \$100,000	68,473	66,538
All other time deposits	133,450	136,820
Total deposits	441,467	435,947
Short-term debt		
Accrued liabilities	4,030	18,539
Subordinated debt	9,343	8,770
Long-term debt	10,191	10,191
Total liabilities	41,071	47,107
Stockholders' Equity		
Common stock, \$5 par value, 6,000,000 shares authorized,	506,102	520,554

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2,496,195 and 2,487,197 shares issued and outstanding in 2012 and 2011, respectively	12,481	12,464
Retained earnings	37,064	35,552
Noncontrolling interest	267	216
Accumulated other comprehensive loss	(2,041)	(2,052)
Total stockholders' equity	47,771	46,180
Total liabilities and stockholders' equity	\$ 553,873	\$ 566,734

See notes to unaudited consolidated financial statements

F & M BANK CORP.

Consolidated Statements of Cash Flows

(In Thousands of Dollars)

(Unaudited)

	Six Months Ended June	
	2012	2011
Cash flows from operating activities		
Net income	\$2,275	\$1,917
Net change – Noncontrolling interest	51	(12)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	310	308
Amortization of security premiums, net	48	29
Net (increase) decrease in loans held for sale	19,559	(18,915)
Provision for loan losses	1,800	2,200
Intangible amortization	-	46
Decrease in interest receivable	116	348
(Increase) decrease in other assets	1,318	(741)
Gain on sale of fixed assets	-	(85)
Decrease in accrued expenses	(1,904)	(635)
Gain on security transactions	-	(289)
Amortization of limited partnership investments	263	233
Income from life insurance investment	(189)	(175)
Other Real Estate Owned valuation adjustments	122	-
Gain on Other Real Estate Owned	(48)	-
Net adjustments	21,395	(17,676)
Net cash provided by (used in) operating activities	23,721	(15,771)
Cash flows from investing activities		
Purchase of investments available for sale	(15,071)	(12,077)
Proceeds from maturity of investments available for sale	15,843	1,035
Proceeds from sales of investments available for sale	-	11,137
Net (increase) decrease in loans held for investment	(1,648)	(18,064)
Proceeds from the sale of other real estate owned	1,232	1,433
Proceeds from the sale of fixed assets	-	276
Purchase of property and equipment	(457)	(113)
Net (increase) decrease in interest bearing bank deposits	140	1,574
Purchase of bank owned life insurance	(4,064)	-
Net cash used in investing activities	(4,025)	(14,799)
Cash flows from financing activities		
Net change in demand and savings deposits	6,956	8,884
Net change in time deposits	(1,435)	492
Net change in short-term debt	(14,509)	6,459
Cash dividends paid	(799)	(682)
Proceeds from rights offering	-	2,381
Proceeds from issuance of common stock	52	47
Proceeds from long-term debt	-	247

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Repayment of long-term debt	(6,036)	(2,047)
Net cash provided by (used in) financing activities	(15,771)	15,781
Net Increase (Decrease) in Cash and Cash Equivalents	3,925	(14,789)
Cash and cash equivalents, beginning of period	8,994	20,924
Cash and cash equivalents, end of period	\$12,919	\$6,135
Supplemental disclosure		
Cash paid for:		
Interest expense	\$3,153	\$3,989
Income taxes	500	500
Transfers from loans to Other Real Estate Owned	1,549	2,332

See notes to unaudited consolidated financial statements

F & M BANK CORP.

Consolidated Statements of Changes in Stockholders' Equity
(In Thousands of Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2012	2011
Balance, beginning of period	\$ 46,180	\$ 42,229
Comprehensive income		
Net income – F & M Bank Corp	2,275	1,917
Net income attributable to noncontrolling interest	51	20
Prepaid pension adjustment	-	(52)
Net change in unrealized appreciation on securities available for sale, net of taxes	11	(120)
Total comprehensive income	2,337	1,765
Minority Interest Contributed Capital (Distributions)	-	(32)
Issuance of common stock	52	2,428
Dividends declared	(798)	(718)
Balance, end of period	\$ 47,771	\$ 45,672

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 June 30, 2012 and the results of operations for the quarters and six month periods ended June 30, 2012 and June 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 June 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 June 30, 2012 and December 31, 2011 are as follows:

	2012		2011	
	Cost	Market Value	Cost	Market Value
Securities held to maturity				
U. S. Treasury and agency obligations	\$ 108	\$ 108	\$ 108	\$ 108
Total	\$ 108	\$ 108	\$ 108	\$ 108
		June 30, 2012		
		Unrealized		
	Cost	Gains	Losses	Market Value
Securities available for sale				
Government sponsored enterprises	\$ 11,027	\$ 30	\$ 8	\$ 11,049
Mortgage-backed securities	1,936	25	-	1,961
Total	\$ 12,963	\$ 55	\$ 8	\$ 13,010

	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
Total	\$ 13,097	\$ 36	\$ 6	\$ 13,127

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

Note 2. Investment Securities, continued

The amortized cost and fair value of securities at June 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	\$108	\$108	\$8,001	\$8,024
Due after one year through five years	-	-	3,026	3,025
Due after five years	-	-	1,936	1,961
Total	\$108	\$108	\$12,963	\$13,010

There were no gains and losses on sales of debt and equity securities in the first or second quarter of 2012 or the first quarter of 2011. There were gains of \$346,000 on equity securities in the second quarter of 2011.

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.

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.

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

Note 2. Investment Securities, continued

Securities Impairment, continued

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 or second quarter of 2012 or the first quarter 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 June 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
June 30, 2012						
Government sponsored						
Enterprises	\$4,000	\$(8)	\$-	\$-	\$4,000	\$(8)
Total	\$4,000	\$(8)	\$-	\$-	\$4,000	\$(8)
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, decreased since December 31, 2011. This decrease is due to a stock repurchase by the FHLB and regular amortization of the carrying value of the investment in low income housing projects.

Note 3. Loans Held for Investment

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

	2012	2011
Commercial	\$170,271	\$170,157
Real Estate	207,344	208,244
Home Equity	57,841	57,259

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Credit cards	2,655	2,813
Consumer	12,429	13,097
Total	\$450,540	\$451,570

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

Note 3. Loans Held for Investment, continued

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

June 30, 2012	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans without a valuation allowance					
Real Estate	\$3,633	\$3,633	\$-	\$3,815	\$106
Commercial	251	251	-	552	5
Home Equity	388	388	-	561	9
Other	197	197	-	155	3
	4,469	4,469	-	5,083	123
Impaired loans with a valuation allowance					
Real Estate	13,548	13,548	1,087	7,441	172
Commercial	530	530	84	621	2
Home Equity	400	400	38	280	10
Other	713	713	177	352	1
	15,191	15,191	1,386	8,694	185
Total impaired loans	\$19,660	\$19,660	\$1,386	\$13,777	\$308

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

Note 4. Allowance for Loan Losses

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

Six Months Ended June 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	(523)	(601)	(50)	(27)	(11)	-	(1,212)
Recoveries	45	-	-	22	15	-	82
Provision	281	951	61	1	171	335	1,800
Ending Balance	\$ 1,370	\$ 2,034	\$ 467	\$ 75	\$ 246	\$ 3,415	\$ 7,607

Three Months Ended June 30, 2012	Commercial	Real Estate	Home Equity	Credit Cards	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	\$ 1,365	\$ 1,907	\$ 468	\$ 75	\$ 522	\$ 2,977	\$ 7,314
Charge-offs	(302)	(293)	(37)	(21)	(7)	-	(660)
Recoveries	34	-	-	11	8	-	53
Provision	273	420	36	10	(277)	438	900
Ending Balance	\$ 1,370	\$ 2,034	\$ 467	\$ 75	\$ 246	\$ 3,415	\$ 7,607

Six Months Ended June 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	(453)	(706)	(56)	(45)	(310)	-	(1,570)
Recoveries	32	9	27	14	10	-	92
Provision	509	667	3	29	624	368	2,200
Ending Balance	\$ 1,812	\$ 1,784	\$ 381	\$ 57	\$ 435	\$ 2,039	\$ 6,508

Three Months Ended June 30, 2011	Commercial	Real Estate	Home Equity	Credit Cards	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	\$ 1,696	\$ 1,490	\$ 425	\$ 64	\$ 649	\$ 1,771	\$ 6,095
Charge-offs	(143)	(229)	(56)	(10)	(299)	-	(737)
Recoveries	16	1	27	4	2	-	50
Provision	243						