

F&M BANK CORP
Form 10-Q
May 14, 2013

Financial Statements

F & M Bank Corp.

March 31, 2013

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 March 31, 2013.

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting Company	<input checked="" type="checkbox"/>

(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

Edgar Filing: F&M BANK CORP - Form 10-Q

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 May 14, 2013
Common Stock, par value - \$5	2,501,274 shares

F & M BANK CORP.

Index

	Page
<u>Part I Financial Information</u>	
<u>Item</u>	
1. <u>Financial Statements</u>	4
<u>Consolidated Statements of Income – Three Months Ended March 31, 2013 and 2012</u>	4
<u>Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2013 and 2012</u>	5
<u>Consolidated Balance Sheets – March 31, 2013 and December 31, 2012</u>	6
<u>Consolidated Statements of Cash Flows – Three Months Ended March 31, 2013 and 2012</u>	7
<u>Consolidated Statements of Changes in Stockholders' Equity – Three Months Ended March 31, 2013 and 2012</u>	8
<u>Notes to Consolidated Financial Statements</u>	9
<u>Item</u>	
2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item</u>	
3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
<u>Item</u>	
4. <u>Controls and Procedures</u>	37
<u>Part II Other Information</u>	
<u>Item</u>	
1. <u>Legal Proceedings</u>	38
<u>Item</u>	
1a. <u>Risk Factors</u>	38
<u>Item</u>	
2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
<u>Item</u>	
3. <u>Defaults Upon Senior Securities</u>	38
<u>Item</u>	
4. <u>Mine Safety Disclosures</u>	38

<u>Item</u>		
5.	<u>Other Information</u>	38
<u>Item</u>		
6.	<u>Exhibits</u>	38
<u>Signatures</u>		39
<u>Certifications</u>		

Table of contents

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 March 31,	
	2013	2012
Interest income		
Interest and fees on loans held for investment	\$6,056	\$6,260
Interest and fees on loans held for sale	489	379
Interest on federal funds sold	10	7
Interest on interest bearing deposits	1	2
Dividends on equity securities	-	-
Interest on debt securities	43	45
Total interest income	6,599	6,693
Interest expense		
Interest on demand deposits	189	346
Interest on savings accounts	50	49
Interest on time deposits over \$100,000	207	234
Interest on other time deposits	427	542
Total interest on deposits	873	1,171
Interest on short-term debt	17	6
Interest on long-term debt	388	519
Total interest expense	1,278	1,696
Net interest income	5,321	4,997
Provision for loan losses	900	900
Net interest income after provision for loan losses	4,421	4,097
Noninterest income		
Service charges	261	284
Insurance and other commissions	183	133
Other	324	298
Income on bank owned life insurance	126	60
Total noninterest income	894	775
Noninterest expense		
Salaries	1,566	1,427
Employee benefits	576	480
Occupancy expense	160	135
Equipment expense	135	144
FDIC insurance assessment	202	181
Other	964	884

Edgar Filing: F&M BANK CORP - Form 10-Q

Total noninterest expense	3,603	3,251
Income before income taxes	1,712	1,621
Income tax expense	468	474
Consolidated net income	1,244	1,147
Net income - Noncontrolling interest	(28)	(12)
Net Income – F & M Bank Corp	\$1,216	\$1,135
Per share data		
Net income (basic and dilutive)	\$.49	\$.46
Cash dividends	\$.17	\$.16
Weighted average shares outstanding	2,500,473	2,493,758

See notes to unaudited consolidated financial statements

Table of contents

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

	Three Months Ended March 31,	
	2013	2012
Net Income:		
Net Income – F & M Bank Corp	\$1,216	\$1,135
Net Income attributable to noncontrolling interest	28	12
Total Net Income:	1,244	1,147
Other comprehensive income (loss):		
Prepaid pension adjustment	-	-
Unrealized holding gains (losses) on available-for-sale securities:	(21)	(6)
Reclassification adjustment for (gains) losses realized in income	-	-
Net unrealized gains (losses)	(21)	(6)
Tax Expense (benefit)	(7)	(2)
Unrealized holding gain (loss), net of tax	(14)	(4)
Total other comprehensive income (loss)	(14)	(4)
Comprehensive income	\$1,230	\$1,143

See notes to unaudited consolidated financial statements

Table of contents

F & M BANK CORP.

Consolidated Balance Sheets
(In Thousands of Dollars Except per Share Amounts)

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Assets		
Cash and due from banks	\$5,845	\$7,961
Money market funds	730	1,036
Federal funds sold	27,244	-
Cash and cash equivalents	33,819	8,997
Interest bearing deposits in banks	248	248
Securities:		
Held to maturity – fair value of \$107 in 2012 and 2011	107	107
Available for sale	10,483	8,678
Other investments	8,500	10,022
Loans held for sale	21,130	77,207
Loans held for investment	465,742	465,819
Less allowance for loan losses	(8,259)	(8,154)
Net loans held for investment	457,483	457,665
Other real estate owned	2,769	2,884
Bank premises and equipment, net	6,383	6,445
Interest receivable	1,706	1,702
Goodwill	2,670	2,670
Bank owned life insurance	11,776	11,662
Other assets	9,420	8,617
Total assets	\$566,494	\$596,904
Liabilities		
Deposits:		
Noninterest bearing	\$85,457	\$84,749
Interest bearing:		
Demand	96,810	95,368
Money market accounts	25,323	24,559
Savings	50,481	47,602
Time deposits over \$100,000	70,041	68,585
All other time deposits	130,868	132,933
Total deposits	458,980	453,796
Short-term debt	3,172	34,597
Accrued liabilities	11,701	11,222
Subordinated debt	10,191	10,191
Long-term debt	32,286	37,714
Total liabilities	516,330	547,520
Stockholders' Equity		

Edgar Filing: F&M BANK CORP - Form 10-Q

Common stock, \$5 par value, 6,000,000 shares authorized, 2,501,150 and 2,499,544 shares issued and outstanding in 2013 and 2012, respectively	12,506	12,498
Retained earnings	39,736	38,927
Noncontrolling interest	339	362
Accumulated other comprehensive loss	(2,417)	(2,403)
Total stockholders' equity	50,164	49,384
Total liabilities and stockholders' equity	\$566,494	\$596,904

See notes to unaudited consolidated financial statements

Table of contents

F & M BANK CORP.

Consolidated Statements of Cash Flows
(In Thousands of Dollars)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities		
Net income	\$1,244	\$1,147
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	150	155
Amortization of security premiums, net	9	26
Net decrease in loans held for sale	56,076	35,383
Provision for loan losses	900	900
(Increase) decrease in interest receivable	(4)	196
Decrease in other assets	9	1,502
Decrease in accrued expenses	(363)	(1,820)
Amortization of limited partnership investments	150	131
Income from life insurance investment	(126)	(74)
Other Real Estate Owned valuation adjustments	-	85
Gain on Other Real Estate Owned	-	(48)
Net adjustments	56,801	36,436
Net cash provided by operating activities	58,045	37,583
Cash flows from investing activities		
Purchase of investments available for sale	(4,002)	(6,065)
Proceeds from maturity of investments available for sale	3,539	1,043
Net (increase) decrease in loans held for investment	(934)	247
Proceeds from the sale of other real estate owned	331	939
Purchase of property and equipment	(88)	(166)
Net decrease in interest bearing bank deposits	-	521
Purchase of bank owned life insurance	-	(3,914)
Net cash used in investing activities	(1,154)	(7,395)
Cash flows from financing activities		
Net change in demand and savings deposits	5,792	7,695
Net change in time deposits	(609)	1,292
Net change in short-term debt	(31,425)	(13,879)
Cash dividends paid	(425)	(399)
Proceeds from issuance of common stock	27	27
Proceeds from long-term debt	-	-
Repayment of long-term debt	(5,429)	(5,607)
Net cash used in financing activities	(32,069)	(10,871)
Net Increase in Cash and Cash Equivalents	24,822	19,317
Cash and cash equivalents, beginning of period	8,997	8,994
Cash and cash equivalents, end of period	\$33,819	\$28,311
Supplemental disclosure		

Cash paid for:		
Interest expense	\$1,237	\$1,717
Income taxes	-	-
Transfers from loans to Other Real Estate Owned	216	-

See notes to unaudited consolidated financial statements

7

Table of contents

F & M BANK CORP.

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

	Three Months Ended March 31,	
	2013	2012
Balance, beginning of period	\$49,384	\$46,180
Comprehensive income		
Net income – F & M Bank Corp	1,216	1,135
Net income attributable to noncontrolling interest	28	12
Net change in unrealized appreciation on securities available for sale, net of taxes	(14)	(4)
Total comprehensive income	1,230	1,143
Minority Interest Contributed Capital (Distributions)		
Issuance of common stock	26	27
Dividends declared	(425)	(399)
Balance, end of period	\$50,164	\$46,951

See notes to unaudited consolidated financial statements

Table of contents

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 March 31, 2013 and the results of operations for the quarters ended March 31, 2013 and 2012. The notes included herein should be read in conjunction with the notes to financial statements included in the 2012 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.

Table of contents

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

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.

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 March 31, 2013 and December 31, 2012 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 March 31, 2013 and December 31, 2012 are as follows:

	2013		2012	
	Cost	Market Value	Cost	Market Value
Securities held to maturity				
U. S. Treasury and agency obligations	\$107	\$107	\$107	\$107
Total	\$107	\$107	\$107	\$107
		March 31, 2013		
		Unrealized		Market
	Cost	Gains	Losses	Value
Securities available for sale				
Government sponsored enterprises	\$9,011	\$14	\$5	\$9,020
Mortgage-backed securities	1,436	27	-	1,463
Total	\$10,447	\$41	\$5	\$10,483
		December 31, 2012		
		Unrealized		Market

Edgar Filing: F&M BANK CORP - Form 10-Q

	Cost	Gains	Losses	Value
Securities available for sale				
Government sponsored enterprises	\$7,012	\$19	\$-	\$7,031
Mortgage-backed securities	1,609	38	-	1,647
Total	\$8,621	\$57	\$-	\$8,678

10

Table of contents

F & M BANK CORP.

Notes to (unaudited) Consolidated Financial Statements

Note 2. Investment Securities, continued

The amortized cost and fair value of securities at March 31, 2013, 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	\$ 1,997	\$ 2,010
Due after one year through five years	-	-	8,450	8,473
Due after five years	-	-	-	-
Total	\$ 107	\$ 107	\$ 10,447	\$ 10,483

There were no gains and losses on sales of debt and equity securities in the first quarter of 2013 or 2012.

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.

Table of contents

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 three months of 2013 or 2012.

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 March 31, 2013 and December 31, 2012 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
March 31, 2013						
Government sponsored						
Enterprises	\$1,995	\$(5)	\$-	\$-	\$1,995	\$(5)
Total	\$1,995	\$(5)	\$-	\$-	\$1,995	\$(5)
December 31, 2012						
Government sponsored						
Enterprises	\$2,000	\$(.5)	\$-	\$-	\$2,000	\$(.5)
Total	\$2,000	\$(.5)	\$-	\$-	\$2,000	\$(.5)

Other investments, which consist of stock of correspondent banks and investments in low income housing projects, decreased since December 31, 2012. This decrease is due to FHLB stock repurchases during the first quarter.

Table of contents

F & M BANK CORP.

Notes to (unaudited) Consolidated Financial Statements

Note 3. Loans Held for Investment

Loans outstanding at March 31, 2013 and December 31, 2012 are summarized as follows:

	2013	2012
Construction/Land Development	\$75,522	\$71,251
Farmland	11,938	12,259
Real Estate	141,964	144,066
Multi-Family	9,169	9,357
Commercial Real Estate	120,507	123,819
Home Equity – closed end	11,006	10,984
Home Equity – open end	48,413	49,762
Commercial & Industrial – Non-Real Estate	25,527	25,110
Consumer	11,186	12,698
Credit cards	2,541	2,788
Dealer Finance	7,969	3,725
Total	\$465,742	\$465,819

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

March 31, 2013	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans without a valuation allowance:					
Construction/Land Development	\$ 6,740	\$ 6,740	\$ -	\$ 2,799	\$ 38
Farmland	1,481	1,481	-	597	12
Real Estate	723	723	-	2,112	-
Multi-Family	-	-	-	-	3
Commercial Real Estate	538	538	-	275	3
Home Equity – closed end	311	311	-	173	12
Home Equity – open end	-	-	-	175	-
Commercial & Industrial – Non-Real Estate					
Estate	18	18	-	51	-
Consumer	-	-	-	120	-
Credit cards	-	-	-	-	-
Dealer Finance	-	-	-	-	-
Impaired loans with a valuation allowance					
Construction/Land Development	12,464	12,464	1,956	9,385	36
Farmland	-	-	-	-	-
Real Estate	1,360	1,360	168	1,208	6
Multi-Family	-	-	-	-	-
Commercial Real Estate	1,062	1,062	159	1,304	1
Home Equity – closed end	529	529	110	390	2
Home Equity – open end	113	113	7	187	-

Edgar Filing: F&M BANK CORP - Form 10-Q

Commercial & Industrial – Non-Real					
Estate	-	-	-	883	-
Consumer	-	-	-	9	-
Credit cards	-	-	-	-	-
Dealer Finance	-	-	-	-	-
Total impaired loans	\$ 25,339	\$ 25,339	\$ 2,400	\$ 19,668	\$ 113

13

Table of contents

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, 2012	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans without a valuation allowance:					
Construction/Land Development	\$5,743	\$5,743	\$-	\$1,493	\$279
Farmland	1,481	1,481	-	301	76
Real Estate	-	-	-	2,561	-
Multi-Family	-	-	-	-	-
Commercial Real Estate	541	541	-	168	23
Home Equity – closed end	-	-	-	153	-
Home Equity – open end	-	-	-	274	-
Commercial & Industrial – Non-Real Estate	-	-	-	56	-
Consumer	-	-	-	135	-
Credit cards	-	-	-	-	-
Dealer Finance	-	-	-	-	-
Impaired loans with a valuation allowance					
Construction/Land Development	10,466	10,466	1,363	7,875	217
Farmland	-	-	-	-	-
Real Estate	901	901	146	1,089	38
Multi-Family	-	-	-	-	-
Commercial Real Estate	1,585	1,585	253	1,092	4
Home Equity – closed end	415	415	29	319	9
Home Equity – open end	250	250	78	193	19
Commercial & Industrial – Non-Real Estate	707	707	277	1,005	-
Consumer	2	2	-	13	-
Credit cards	-	-	-	-	-
Dealer Finance	-	-	-	-	-
Total impaired loans	\$22,091	\$22,091	\$2,146	\$16,727	\$665

Table of contents

F & M BANK CORP.

Notes to (unaudited) Consolidated Financial Statements

Note 4. Allowance for Loan Losses

A summary of the allowance for loan losses follows:

March 31, 2013 (in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Allowance for loan losses:							
Construction/Land Development	\$2,771	\$-	\$3	\$567	\$3,341	\$1,955	\$1,386
Farmland	(2)	-	-	-	(2)	-	(2)
Real Estate	924	35	-	9	898	168	730
Multi-Family	(37)	-	-	2	(35)	-	(35)
Commercial Real Estate	1,113	201	-	128	1,040	160	880
Home Equity – closed end	360	10	-	(14)	336	110	226
Home Equity – open end	659	68	5	(49)	547	7	540
Commercial & Industrial –							
Non-Real Estate	2,113	412	21	111	1,833	-	1,833
Consumer	51	79	2	73	47	-	47
Dealer Finance	72	-	-	69	141	-	141
Credit Cards	130	26	5	4	113	-	113
Unallocated	-	-	-	-	-	-	-
Total	\$8,154	\$831	\$36	\$900	\$8,259	\$2,400	\$5,859

December 31, 2012 (in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
Allowance for loan losses:							
Construction/Land Development	\$2,071	\$1,481	\$192	\$1,989	\$2,771	\$1,363	\$1,408
Farmland	145	-	3	(150)	(2)	-	(2)
Real Estate	625	482	-	781	924	146	778
Multi-Family	92	-	-	(129)	(37)	-	(37)
Commercial Real Estate	2,285	424	48	(796)	1,113	164	949
Home Equity – closed end	91	69	-	338	360	117	243
	867	-	-	(208)	659	79	580

Home Equity – open end							
Commercial & Industrial –							
Non-Real Estate	457	776	62	2,370	2,113	277	1,836
Consumer	128	44	27	(60)	51	-	51
Dealer Finance	-	-	-	72	72	-	72
Credit Cards	176	71	32	(7)	130	-	130
Unallocated	-	-	-	-	-	-	-
Total	\$6,937	\$3,347	\$364	\$4,200	\$8,154	\$2,146	\$6,008

Table of contents

F & M BANK CORP.

Notes to (unaudited) Consolidated Financial Statements

Note 4. Allowance for Loan Losses, continued

Recorded Investment in Loan Receivables (in thousands)

	Loan Receivable	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
March 31, 2013			
Construction/Land Development	\$75,522	\$ 19,205	\$ 56,317
Farmland	11,938	1,481	10,457
Real Estate	141,964	2,083	139,881
Multi-Family	9,169	-	9,169
Commercial Real Estate	120,507	1,600	118,907
Home Equity – closed end	11,006	839	10,167
Home Equity –open end	48,413	113	48,300
Commercial & Industrial – Non-Real Estate	25,527	18	25,509
Consumer	11,186	-	11,186
Dealer Finance	7,969	-	7,969
Credit Cards	2,541	-	2,541
Total	\$465,742	\$ 25,339	\$ 440,403
December 31, 2012			
Construction/Land Development	\$71,251	\$ 16,206	\$ 55,045
Farmland	12,259	1,481	10,778
Real Estate	144,066	901	143,165
Multi-Family	9,357	-	9,357
Commercial Real Estate	123,819	2,128	121,691
Home Equity – closed end	10,984	415	10,569
Home Equity –open end	49,762		