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F&M Bank Corp.

2009 ANNUAL REPORT



Building for the Future

President's Letter



Dear Stockholder:

The year 2009 proved to be a difficult year for almost everyone, including F&M Bank Corp. Unemployment increased significantly, the housing market continued to be weak (especially in the upper price range and for residential developments), the FDIC continued to close banks at a rapid pace, and generally the economy was weak and consumer confidence was low. Having said all of this, it was also a year in which we showed profits where many banks reported losses. Even though our performance was not up to our standards, we outperformed most of our peers.

Net Income for 2009 was \$1,954,000 which was a decrease of \$1,250,000. Bank Corp income was impacted by Other Than Temporary Impairment (OTTI) securities write downs of \$1,754,000. If the stock market continues to recover, these may be reversed into gains in the future if we decide to actually sell the securities. Furthermore, I do not foresee significant write downs going forward. Bank only earnings were negatively affected by an increase in our FDIC Assessment and contributions to our Allowance for Loan Losses. The FDIC Assessment increased \$790,556 and the Allowance for Loan Loss contribution increased \$3,395,000 to \$4,210,000. Without these adjustments to earnings, we would have had record earnings.

Our assets increased to \$539 million, which was an increase of \$67 million over year end 2008. The majority of this increase was in loans, with Loans Held for Investment increasing \$35 million and Loans Held for Sale increasing \$27 million. Shareholder's equity increased approximately \$3 million to just over \$39 million, and book value per share increased to \$16.99 from \$15.64 in 2008. Furthermore, we experienced good deposit growth with deposits increasing \$78 million. Most of this growth was in our Platinum Rewards checking account, which has been very successful. On the operational side, our Efficiency Ratio was 57.74% an improvement of .86% over 2008. Our goal is to keep the Efficiency Ratio below 60% going forward. We continue to be considered well capitalized by regulatory standards with Total Risk Based Capital Ratio of 11.07% as of year end 2009. The regulatory well capitalized ratio is 10%.

For more detail regarding our financial performance in 2009, I encourage you to review the enclosed 10K.

In 2009 we concentrated on expanding our relationships with existing customers. Our excellent staff has worked very hard on cross selling our products through referrals and excellent customer service. Our approach to selling is to provide exceptional customer service and to provide customers with products that they need from their financial provider, not a high pressure sales approach used by the larger banks selling whatever is the product of the month. This is a long term approach which hopefully builds relationships for a lifetime. We also are staying up to date on new technology and marketing to attract the younger generation, while at the same time providing the traditional products for our more mature customers.

I want to remind everyone that we now have our Dividend Reinvestment Plan in place, which is an easy and convenient method of increasing your investment in F & M Bank Corp. If you haven't signed up for dividend reinvestment, you can download the prospectus and the enrollment form at www.rtco.com or call Sylvia Bowman at our Timberville office for assistance.

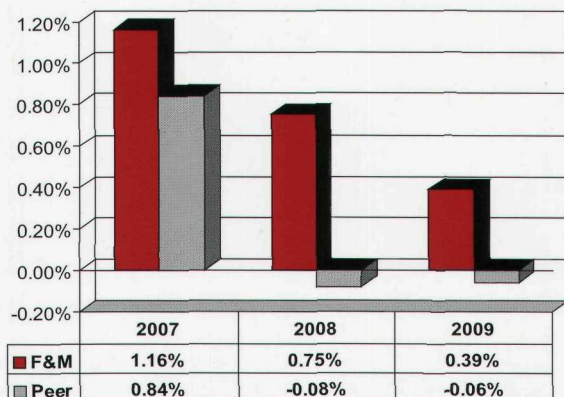
As we begin 2010, I can assure you that your Farmers & Merchants team will work hard to maximize returns to you the shareholder, while staying true to our values of a Community Bank founded in 1908. I want to thank everyone for your continued support and I hope to see everyone at the annual meeting in May.

A handwritten signature in black ink that reads "Dean W. Withers". The signature is written in a cursive, slightly slanted style.

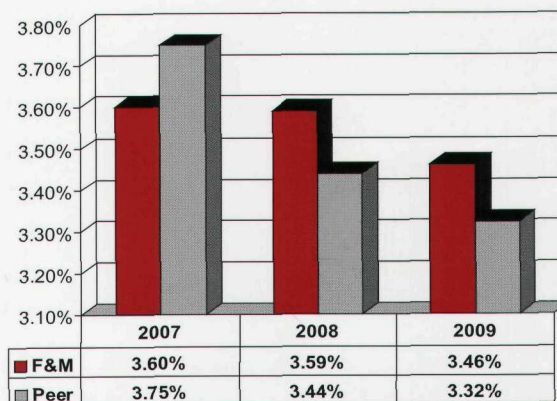
Dean W. Withers
President/CEO

Three Year Summary of Selected Financial Charts

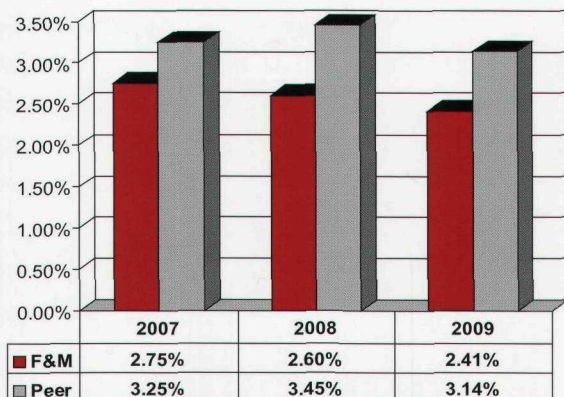
Net Income
(As a % of total assets)



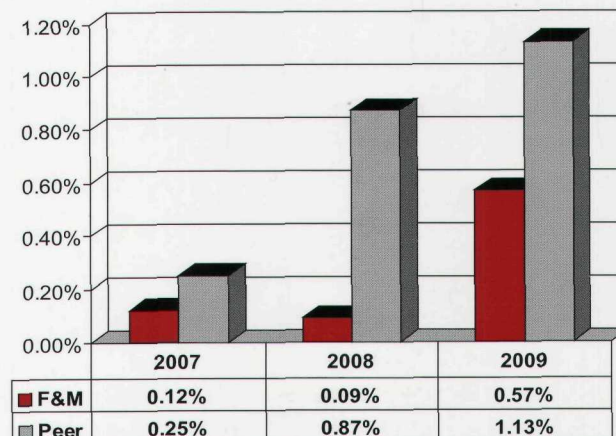
Net Interest Income
(As a % of total assets)



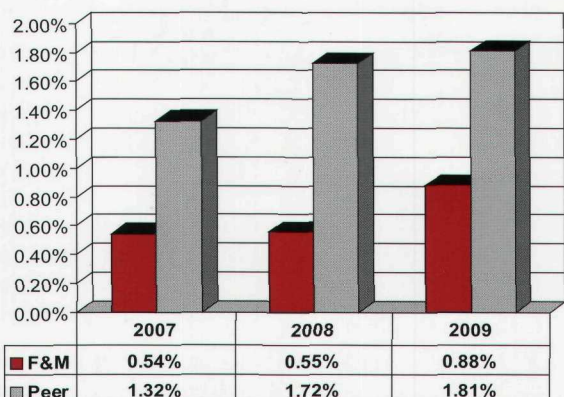
Overhead Expense
(As a % of total assets)



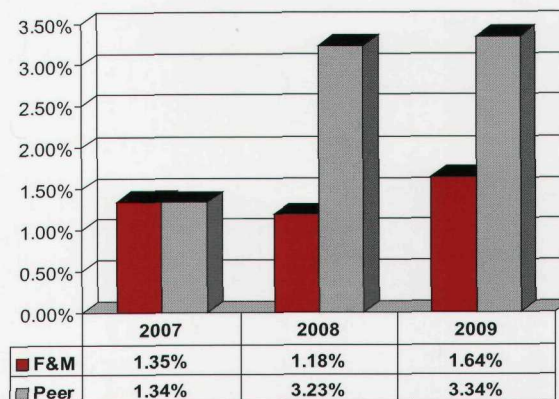
Net Loan Losses
(As a % of average loans)



Allowance For Loan Losses
(As a % of total loans)

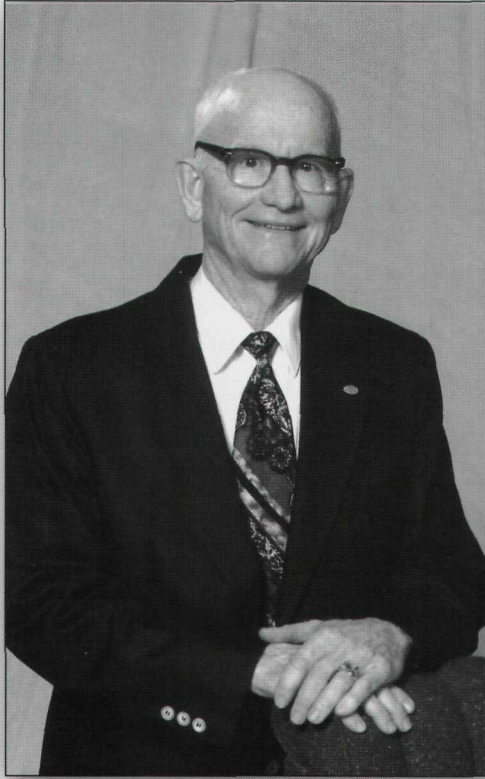


Non-Performing Loans
(As a % of total loans)



Tribute to Dan Todd

By Good Friend Larry Hoover



Dan Todd

As we prepare for our annual meeting, it is appropriate to note the passing of Dan Todd, who served as CEO of the Bank for 30 years, from 1966 to 1996, and continued as Chair of the Board until 2001.

Coming to Timberville from the small town of Independence in Southwest Virginia, Dan was not shy about informing stockholders at his first annual meeting in 1967 of his banking philosophy - that a community bank's main purpose was to serve the community, in addition to making profits. As it turned out he was very good at both.

I will not chronicle Dan's many significant contributions to the success of the Bank or the reasons for his reputation among fellow community bankers as the "banker's banker." But I will mention two important decisions initiated by Dan as early as 1973 - first, the decision to open the branch at Elkton, the beginning of F&M's additional eight branches which serve the Central Shenandoah Valley area - and second, the hiring of Julian Fisher, who would succeed Dan in 1996 as CEO until Julian's retirement in 2006.

Dan was spared the stress and challenge of the chaos in the banking system during these past few years, but his legacy of serving the community and offering personalized service to the Bank's customers will live on. And on the personal level Dan will be remembered as a generous, talented, practical and fun-loving friend.

Retired



Phyllis Delawder

Phyllis graduated from Broadway High School. She joined Farmers & Merchants Bank on June 10, 1985 as a note teller and worked in the Timberville office in loan operations over the years. When she retired on December 31, 2009, she was a lobby teller and had many loyal customers who always enjoyed her helpful, friendly attitude.

Phyllis and her husband Robert live near Harrisonburg and have three children and several grandchildren.



Janet Ware

Janet Ware is a graduate of Stonewall Jackson High School and started her banking career in 1972. She joined Farmers & Merchants Bank as a part time teller in the Broadway Office on March 11, 2002. She transferred to the Edinburg Office October 3, 2005 and continued working there until her retirement on August 31, 2009. Janet and her husband Merrill live in New Market and have one son.

Employee Service Anniversaries



Darlene Sites
30 Years



Kathryn Smith
30 Years



Brenda Swartz
30 Years



Cindy Sherman
25 Years



Brenda George
20 Years

Directors and Officers

DIRECTORS

THOMAS L. CLINE

President, Truck & Equipment Corp.
President, Mac Lease, Inc.

JOHN N. CRIST

Partner, Hoover Penrod, PLC-Attorneys

JULIAN D. FISHER

Chairman of the Board, Farmers & Merchants Bank
and F & M Bank Corp.

ELLEN R. FITZWATER

Partner, Financial Manager, F & R Leasing, LLC

DANIEL J. HARSHMAN

Manager, Town of Edinburg

RICHARD S. MYERS

President, Dick Myers Automotive, Inc.

MICHAEL W. PUGH

President, Old Dominion Realty, Inc.
President, Colonial Appraisal Service, Inc.

RONALD E. WAMPLER

Outside sales-Dick Myers Automotive, Inc.
Partner, Dove Ohio Farms, LLC.
and WWTD Ohio Farms, LLC

DEAN W. WITHERS

President, Farmers & Merchants Bank
and F & M Bank Corp.

OFFICERS

Julian D. Fisher

Chairman of the Board

Thomas L. Cline

Vice Chairman of the Board

Dean W. Withers

President and Chief Executive Officer

Larry A. Caplinger

Executive Vice President
and Secretary of Board

Neil W. Hayslett

Executive Vice President
and Chief Financial Officer

Ellen C. Branner

Senior Vice President/Human Resources

Ralph C. Foltz, Jr.

Senior Vice President /Operations

Jeffrey L. Lam

Senior Vice President/Retail Loan Administration

Stephanie E. Shillingburg

Senior Vice President/Retail Services

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Anita C. Beckman
Sylvia T. Bowman
Carrie A. Comer
Carolyn J. Dove
Sally H. Erickson
Joshua P. Hale
Charles P. Harder
Henry E. Hawkins
Susan K. Olson
Mary S. Prophet
Kitty H. Purcell
Robert R. Reedy, Jr.
Kevin A. Russell
Cynthia A. Sherman
Gregory B. Spitler
Edward A. Strunk
Deborah D. Vance

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Kathy L. Grubbs
Mary Ellen Harrison
Teresa D. Helmick
Cathy M. Lindamood
Karen B. Rose
Darlene K. Sites
Krista L. Suter



Bridgewater
100 Plaza Drive
828-6300

Broadway
126 North Timber Way
896-7071

Edinburg
120 South Main Street
984-4128

Elkton
127 West Rockingham Street
298-1251

Harrisonburg
Crossroads
80 Cross Keys Road
433-7575

Harrisonburg
Port Road
1085 Port Republic Road
433-0112

Luray
700 East Main Street
743-1130

Timberville
205 South Main Street
896-8941

Woodstock
161 South Main Street
459-3707

VBS Mortgage
2040 Deyerle Avenue, Ste 102
Harrisonburg
442-8583

