



F&M Bank Corp.

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2011 ANNUAL REPORT

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*Partnering with our neighbors because  
it enhances our communities.*

## President's Letter



Dear Stockholder

For 2011 we accomplished significant improvement in earnings for the second straight year. Net Income was \$4.688 million compared to \$3.741 million for 2010. The improved earnings were related to a modest increase in Loans Held for Investment (\$6.423 million), but also a significant increase in Loans Held for Sale which were at a much higher level throughout the year, and Securities Gains of \$1.024 million. This improvement was again in spite of a continued weak economy, especially in the real estate market. We are starting to see signs of stabilization in the real estate sector; however, it will most likely be next year before we see improvement in real estate values. Deposits increased \$10.896 million which helped decrease our dependency on other funding sources for loan growth. I feel the increase in deposits was due to a combination of a good assortment of deposit products to offer and individuals' desires to have a relationship with a local Community Bank rather than the large national or regional banks.

With the improved earnings, the Board of Directors voted recently to increase the quarterly dividend by 6.7% on an annual basis. With this increase, at the current stock price of \$14.60, the annual yield will be 4.40%, which should be attractive to investors with the present low interest rate environment. Stockholder Equity increased from \$42.229 million to \$46.180 million and Book Value increased to \$18.53.

Nonperforming Loans as a percentage of Assets decreased from 2.94% to 2.61%. On the other hand, Charge Offs increased from .53% of Loans to .63%. This ratio is still below our peers but remains higher than where we want it to be. Hopefully, with an improving economy, Charge Offs will decrease in the future. We continued to increase our Allowance for Loan and Lease Loss provision which was 1.54% of Loans as of year end. Management feels this is sufficient to cover potential loan losses in the future.

All Capital Ratios improved throughout the year and are well above the ratios to be considered well capitalized. I refer you to the enclosed 10K for more detailed information regarding our performance for the year and encourage you to contact us if you have any questions.

As you will see later in this report, our theme for this year was our community involvement. I am often asked the definition of a "Community Bank". Usually the person asking is looking for a financial definition such as any Bank with assets less than \$10 Billion. This is the threshold that Congress has used to institute new regulations; however, I think the true definition is how involved the Bank is in their local communities. As you will see later, with over 7,300 hours of community service completed by your staff and directors last year, there is no question that your corporation is a true Community Bank. We are involved not because it is required by our job description, but because we ourselves are committed to serving the communities we live in. When you see members of our staff, take a moment to thank them for all they do to promote our corporation. Without their dedication to our customers and our community we would not have the strong organization that we enjoy.

I hope everyone can attend the shareholders meeting in May where we can fellowship and answer any questions you may have.

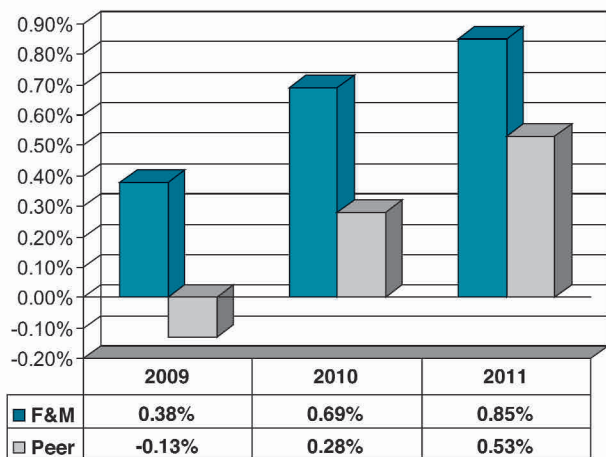
A handwritten signature in black ink that reads "Dean W. Withers". The signature is written in a cursive, slightly slanted style.

Dean W. Withers  
President/CEO

## Three Year Summary of Selected Financial Charts

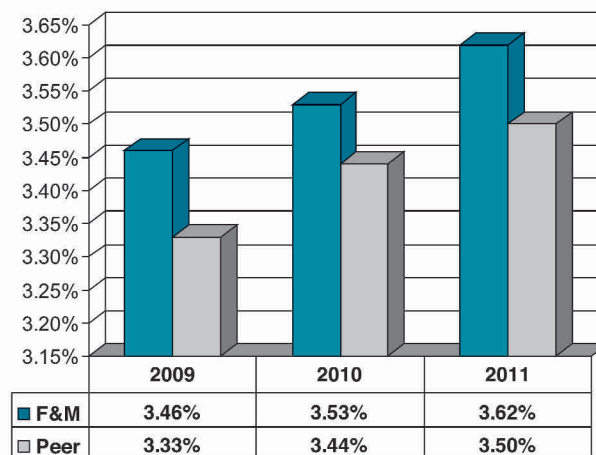
### Net Income

(As a % of total assets)



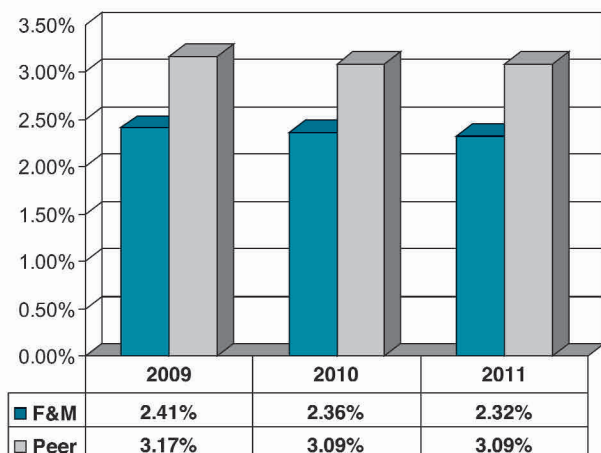
### Net Interest Income

(As a % of total assets)



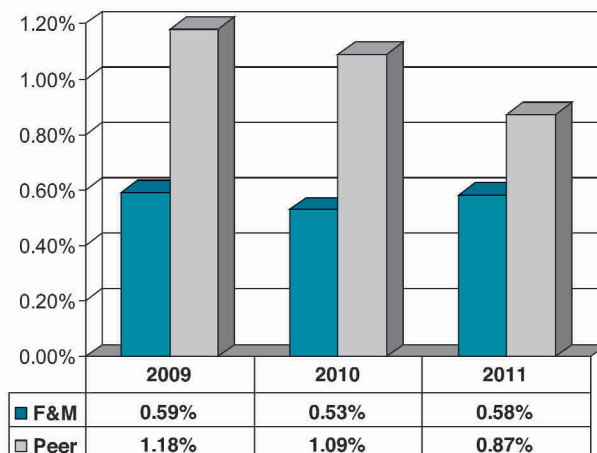
### Overhead Expense

(As a % of total assets)



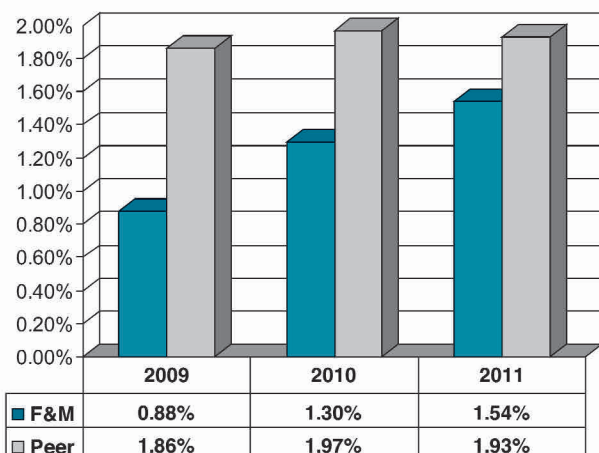
### Net Loan Losses

(As a % of average loans held for investment)



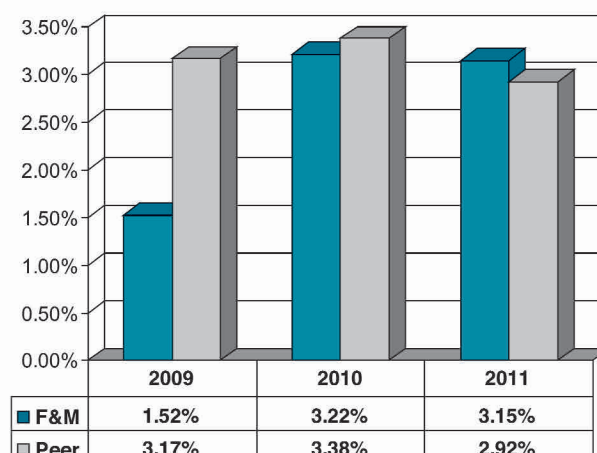
### Allowance For Loan Losses

(As a % of total loans)



### Non-Performing Assets

(As a % of total assets)



# F&M Partners With Our Community

- Cash donations to 88 local organizations (over \$56,000).
- Sponsorships and program ads for 76 local organizations and schools (over \$37,000).
- Door prizes provided to 25 local organizations.
- Free community shredding provided at 8 times and locations.
- Financial education provided by F&M staff to 68 classes and over 1400 students in local schools.
- Bid on and purchased 8 head livestock at 4-H & FFA auctions.
- Our employees gave 7,380 hours of volunteer service in the community.
- 147 local home purchases were financed for a total of \$25.9 million through our affiliate company, VBS Mortgage.
- The bank stimulated the local economy with 1,280 loans for a total of \$101,794,464.



## Retired in 2011 - Thanks For All Your Service!



Darlene K. Sites, a Broadway resident, joined F&M in 1979 and worked in the Timberville office as a note teller and CSR. She earned the title of Assistant Vice President and also served as Assistant Branch Manager.



Eleanor C. Nicholson joined F&M in 1988 and worked in various positions at the Broadway and Timberville branches during her career, including teller, CSR and secretary.



Alice S. Yates lives in Elkton and worked as a teller in the Elkton and Crossroads branches since starting at our bank in 2001.

## Employee Service Anniversaries



Sylvia Bowman  
Vice President  
Administration - Timberville  
**45 Years**



Mary Sue Prophet  
Vice President  
Assistant Operations Supervisor - Timberville  
**40 Years**



Debbie Andes  
Vice President  
Internal Auditor - Timberville  
**25 Years**



Jean Coffman  
Teller - Timberville  
**25 Years**



Sharon Lantz  
Customer Service - Broadway  
**20 Years**



Thomas L. Cline  
Chairman of the Board  
**20 Years**



Ronald E. Wampler  
Director  
**20 Years**

# Directors and Officers

## DIRECTORS

THOMAS L. CLINE

Chairman of the Board, Farmers & Merchants Bank  
and F & M Bank Corp.  
Chairman of the Board, Truck & Equipment Corp.  
Chairman of the Board, Mac Lease, Inc.

JOHN N. CRIST

Partner, Hoover Penrod, PLC-Attorneys

ELLEN R. FITZWATER

Partner, Financial Manager, F & R Leasing, LLC

DANIEL J. HARSHMAN

Manager, Town of Edinburg

RICHARD S. MYERS

President, Dick Myers Chrysler-Dodge-Jeep, Inc.

MICHAEL W. PUGH

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

CHRISTOPHER S. RUNION

Owner & President, Eddie Edwards Signs, Inc.

RONALD E. WAMPLER

Partner, Dove Ohio Farms, LLC.  
and WWTD Ohio Farms, LLC

DEAN W. WITHERS

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

## OFFICERS

Dean W. Withers, President & CEO

Larry A. Caplinger, EVP/Chief Lending  
Officer & Secretary of Board

Neil W. Hayslett, EVP & CFO

Ellen C. Branner, SVP/Human Resources

Ralph C. Foltz, Jr., SVP/Operations

Jeffrey L. Lam, SVP/Retail Loan Administrator

Stephanie E. Shillingburg, SVP/Branch  
Administration and Retail Services

Edward A. Strunk, SVP/Commercial Loan  
Administrator

### VICE PRESIDENTS

Deborah A. Andes

Curtis M. Arey

Anita C. Beckman

Sylvia T. Bowman

Carrie A. Comer

Carolyn J. Dove

Sally H. Erickson

Joshua P. Hale

Charles P. Harder

Henry E. Hawkins

Teresa D. Helmick

Susan K. Olson

Mary S. Prophet

Kitty H. Purcell

Robert R. Reedy, Jr.

Karen B. Rose

Kevin A. Russell &  
President VBS Mortgage

Cynthia A. Sherman

Gregory B. Spitler

Deborah D. Vance

### ASSISTANT VICE PRESIDENTS

Thomas L. Campbell

Aaron S. Green

Kathy L. Grubbs

Chris A. Gunter

Mary Ellen Harrison

Anthony W. Keyser

Cathy M. Lindamood

Jonah J. Pence

Melody D. Ritchie

Krista L. Suter

Robert E. Wimer II

Barbara W. Bartley,  
Branch Officer

W. Brent Meadows,  
Branch Officer

## Bank Locations

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

[www.farmersandmerchants.biz](http://www.farmersandmerchants.biz)

Investor Information:

FMBM.OB

Transfer Agent for F&M Bank Corp. Stock (FMBM):  
Registrar and Transfer Company  
10 Commerce Drive  
Cranford, NJ 07016-3572  
Telephone: 1-800-368-5948  
E-mail: [info@rtco.com](mailto:info@rtco.com)  
Website: [www.rtco.com](http://www.rtco.com)