

2021 Annual Report



F&M Bank Corp.



Welcome

An introduction by F&M Bank President & CEO
Mark Hanna

\$1.2B
Asset
milestone

\$28.75
Stock Price
12/31

68.3%
Deposit
Growth

Financials

\$1.2 billion in total assets
\$261.7 million annual deposit growth
\$297 million annual investment portfolio growth
\$31.9 million core loan growth
\$2.5 million contributed to net income by
Mortgage/Title/Investment teams

2021 was a record year for F&M Bank Corp and the most profitable in our Company’s 114-year history.

Earnings were driven by growth in net interest income, strong non-interest income due to our subsidiary organizations, and improved asset quality and fees earned under the Paycheck Protection Program (PPP). Continued improvements in asset quality and economic conditions resulted in the ability to reduce the allowance for loan losses to 1.16% of loans held for investment (1.18% excluding PPP loans) which was accretive to income by \$2.8 million year to date, and \$590 thousand in the fourth quarter.

During a time of economic challenges and Covid-19 variants, our associates continued to support the bank’s growth and positive changes. In addition to re-alignment with a focus on improving processes and strengthening leadership, we took steps to better align our revenue, expenses and balance sheet for the future.

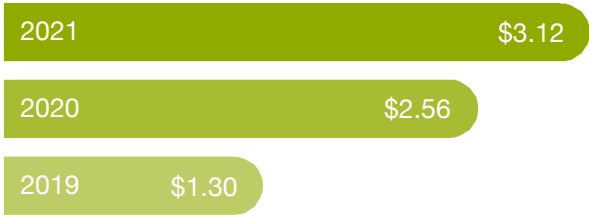
Our deposit growth of 68.3% over the last two years is significantly higher than our peers and indicative of our ability to generate organic growth. We continue to focus strategically on improving our infrastructure and digital experience as we expand our reach to new banking relationships.

Our greater scale, coupled with improvements in asset quality, position F&M for continued success. These successes, along with surpassing the \$1 billion asset milestone, is a testament to the commitment and dedication of associates across our organization.

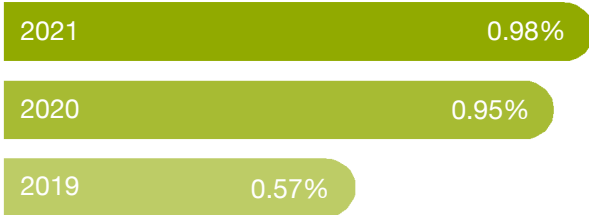
F&M Bank Corp’s executive team and board are planning thoughtfully and setting our sights on a great year ahead and a bright future for our company, our teammates, and the Shenandoah Valley.



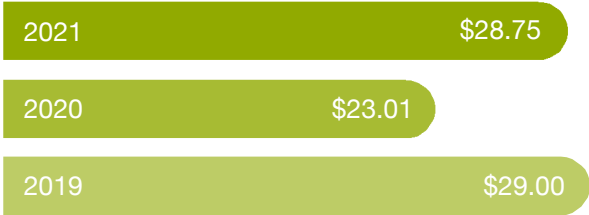
Earnings Per Share



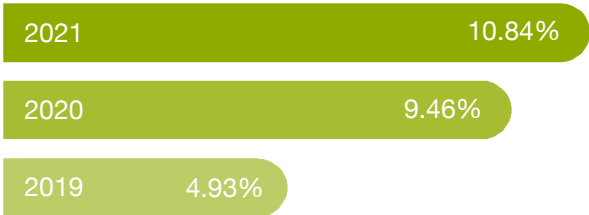
ROAA



Stock Price (at close 12/31)



ROAE



Year in Review

Most profitable year in our 114-year history
 Expansion into new markets
 Launched online account opening
 Invested in leadership, training, and development
 Grew agriculture portfolio by 30.5%
 22% increase in F&M Financial Services assets



John Sargent
Commercial Relationship Manager

Mike Wilkerson
Chief Lending Officer

Ronda Gross
Business Relationship Specialist

Gail Pryde
Business Relationship Specialist

Jon Reimer
Commercial Relationship Manager

Bill Steele
Senior Credit Analyst

190K
Website
Visits

31.97%
Deposit
Increase

3K
New App
Users

Frederick County Markets

In January, F&M announced expansion into the Winchester/Frederick County markets and brought on a well-versed commercial banking team (pictured above) with extensive knowledge of the market.

The thriving Winchester economy and community has proven to be a great fit for the team and the company – with growth of over \$36 million in deposits last year – and sights set on opening a second Winchester location in 2022.

Augusta County Markets

Identifying opportunities for organic loan and deposit growth, while remaining an independent community bank for the long-term, is an integral component of our strategic goals. In line with these initiatives, F&M Bank entered into an agreement with Carter Bank and Trust last spring to purchase its Waynesboro branch deposits.

The City of Waynesboro is a \$586 million market (FDIC data, June 30, 2020) with a growing local economy.

Paycheck Protection Program

Economic Stimulus and the Paycheck Protection Program were a major driver of deposit growth in 2020-2021 and provided our associates with the opportunity to help our neighbors during unprecedented times.

F&M processed 1,080 PPP & CARES Act loans during 2020 and 2021 totaling \$87.1 million.

Preferred Stock Redemption

On September 1, 2021, F&M gave notice to preferred shareholders that it would redeem all Series A Preferred Stock on October 29, 2021.

As a result of this announcement, 180,261 shares of the 205,327 shares of preferred stock converted to common shares and 25,066 shares were redeemed for cash.

Dividends Declaration

On January 21, 2022, our Board of Directors declared a fourth quarter dividend of \$.26 per share to common shareholders.

Based on our most recent trade price of \$31.38 per share this constitutes a 3.31% yield on an annualized basis.

The dividend was paid March 1, 2022, to shareholders on record as of February 14, 2022.

Digital Upgrades

F&M Bank migrated to a new online and mobile banking platform, digitizing typical banking functions to take user experience and service options to the next level.

F&M customers now have access to a personalized, secure, and convenient experience through digital channels.

Performance

F&M Financial Services Advisors Calan Jansen and Matt Robinson have both ranked among the Top Infinex Financial Professionals, based on 2021 Gross Dealer Concession (GDC) from 1,440 individual brokers.

Investment and insurance products and services are offered through INFINEX INVESTMENTS, INC. Member FINRA/SIPC. F&M Financial Services, Inc. is a nonbank subsidiary of F&M Bank. Infinex is not affiliated with either entity. Products and services made available through Infinex are not insured by the FDIC or any other agency of the United States and are not deposits or obligations of nor guaranteed or insured by any bank or bank affiliate. These products are subject to investment risk, including the possible loss of value. We do not provide tax advice. Please consult your advisor.

Securities and Insurance Products:
Not Insured By FDIC or any Federal Government Agency. May Lose Value. Not a Deposit of or Guaranteed by the Bank or any Bank Affiliate



Calan Jansen
Infinex Financial Advisor

Matt Robinson
Infinex Financial Advisor

Accolades

In addition to recognition by established banking and finance associations, F&M Bank was honored to receive Gold recognition for Best Bank and Silver recognition for Best Ag Lender in the inaugural “Shenandoah Valley’s Best” contest, implemented by local media company, Harrisonburg Radio Group. HRG received 1,600 nominations and over 35,000 votes from community members.

F&M Mortgage

Second best year in history
\$1.5 million pre-tax profits
820 loans closed
\$190 million total loan volume

VS Title

\$2.07 million in gross revenue
\$521 thousand pre-tax profits
1355 real estate transactions closed

Agricultural & Rural Programs

\$81.9 million loan portfolio
30.5% growth

Indirect Dealer Division

\$107 million portfolio balance
\$2.97 million in net income
.72% past due ratio

F&M Financial Services

Ranked third among peers in the nation in 2021
\$356 million in assets under management
22% growth year over year

Securities and Insurance Products:
Not Insured By FDIC or any Federal Government Agency. May Lose Value. Not a Deposit of or Guaranteed by the Bank or any Bank Affiliate.

ICBA Subcommittee

The Independent Community Bankers of America (ICBA) named Mark Hanna, President & CEO of F&M Bank, to its Housing Finance Subcommittee in March 2021. Mr. Hanna also serves as the ICBA’s Elected Federal Delegate for Virginia, elected in March 2020 for a three-year term.

In addition to helping shape and advocate ICBA’s national policy positions and programs, Hanna promotes pro-community bank policies and serves as a liaison between community banks and ICBA in Washington, D.C.

The Financial Brand

Annual reports are one of financial marketers’ toughest creative tasks. Which is why receiving recognition for producing one of the “Best Annual Reports in Banking” was a great honor for F&M and our marketing team.

The Financial Brand is a digital publication focused on marketing and strategy issues affecting retail banks and credit unions.

ICBA Recognition

Paul Eberly, F&M Bank’s EVP/Chief Credit Officer, was recognized as an “Emerging Community Bank Leader 40 under 40” by The Independent Community Bankers Association (ICBA), and the only recipient from the Commonwealth of Virginia in 2021.

The ICBA awards community-minded, innovative leaders under 40 years old who represent the future of the community banking industry.

Community

At F&M Bank, community has always been a focus. We understand the valuable role not-for-profits and small business play in creating thriving towns and communities.

That's why we encourage our employees to support local causes and, as a company, F&M donates time and resources to local charities and events.

Danielle Ropp
President, SFS Tools & Safety (F&M Bank client)



Sammy the Squirrel
Mascot, CNO (Chief Nut Officer)

100+
Community
Events

27%
Social Media
Follower
Increase

1000
Volunteer
Hours

Great Community Give

F&M Bank provided title-level sponsorship and volunteer support for this annual April event, hosted by The Community Foundation of Harrisonburg and Rockingham County. The charity supports nonprofit organizations in the Valley and raised \$1,772,878 in 2021.

Bank Shred Days

F&M hosts free document shredding events for the community each year to help clients prevent identity theft and dispose of their sensitive personal documents.

United Way

F&M is a proud supporter of United Way. Each year, staff members volunteer to improve their communities.

Big Brothers Big Sisters

Big Brothers Big Sisters of Harrisonburg-Rockingham County (BBBS) provides mentorship support to local youth in need. Our employees have participated with BBBS as volunteers or board members consecutively for over 25 years, with Garth Knight, EVP/Chief Banking Officer, currently sitting on the board.

Art Gallery Sponsorship

Art unifies communities. Our company commits to philanthropy for just that reason, to bring people together in a meaningful way. In 2021, F&M sponsored a new art gallery exhibition and opening reception for *Exuberance: Dialogues in African American Abstract Painting*.

Tailgate

F&M Bank hosts a corporate tailgate event during football season at James Madison University each year.

Santa to a Senior Program

Each year, F&M employees demonstrate their holiday spirit by signing up to support a local senior in need. As part of Home Instead Senior Care's "Santa to a Senior" program, individuals purchase Christmas presents for those who may not otherwise have the opportunity to celebrate the holidays.

Last year this program provided Christmas gifts to over 800 seniors across the counties of Rockingham, Augusta, and Rockbridge.

Walk to End Alzheimer's

Members of the Augusta County F&M Bank family participated in the 2021 Walk to End Alzheimer's in October alongside 58 teams that collectively raised over \$71,000 for this worthy cause.

Local Business You Love

Associates from four counties celebrated the Top 10 Nominees of F&M Bank's "Local Business You Love" contest at Woodstock Brewhouse. The celebration honored small business owners who are well-known and well-loved by their patrons.

First Responder Appreciation

We support our local heroes who continue to help our communities during trying times.

F&M commercial associates delivered boxed lunches to the hardworking staff at Sentara RMH and Augusta Health Center during December.

Donations

Over \$300,000 in corporate and employee donations were made in 2021.

Principles

At F&M Bank, we create value in every service we offer. We apply sound banking principles to encourage our local economy and strengthen relationships.

From comprehensive personal and commercial banking to loan options for individuals and businesses, our team is committed to building brighter futures in the community we call home.

Katherine Preston
Valley Market Executive



Mary Pavlovskaya
Business Deposit Services Officer

Service Milestones

Associates are recognized for their outstanding service at five year milestones. We thank these employees for their dedication.

Kitty Purcell and Julie Reeves, two longtime mortgage advisors, retired in 2021. Both are active members of our community and we wish them the best in their future endeavors.

Mission

F&M Bank will be a strong, independent financial organization committed to solid shareholder value, exceptional customer service, active community involvement and a fulfilling employee experience.

Vision

Building our loyal customer base by developing lasting relationships in order to be the strongest bank in our communities.

Values

Making the **communities** we serve better.

Providing **flexible** financial solutions.

Responsive to all requests and opportunities.

Bringing **enthusiasm** and a positive attitude to our endeavors.

Adding **fun** into banking and our workplace!



Executives

Mark Hanna
President & Chief Executive Officer

Barton Black
Chief Operating Officer

Carrie Comer
Chief Financial Officer

Paul Eberly
Chief Credit Officer

Melody Emswiler
Chief Human Resources Officer

Garth Knight
Chief Banking Officer

Stephanie Shillingburg
Chief Experience Officer

Kevin Russell
President of Mortgage, Title,
and Financial Services

Mike Wilkerson
Chief Lending Officer

Board of Directors

Anne Keeler
Vice President for Finance and
Treasurer (Retired)
Bridgewater College

Chris Runion
President
Eddie Edwards Signs, Inc

Daniel Harshman
Mayor
Town of Edinburg

Daphyne Saunders Thomas
Professor Department of Finance and
Business Law, James Madison
University

Dean Withers
Vice Chairman of the Board
Former F&M Bank President & CEO
(retired)

Hannah Hutman
Partner & Creditor/Debtor Attorney
Hoover Penrod, PLC

John Willingham
CPA
President of Stoneridge Companies

Larry Caplinger
Secretary of the Board
Former F&M Bank Chief Lending Officer
(retired)

Mark Hanna
President & Chief Executive Officer
F&M Bank

Michael Pugh
Chairman of the Board
President
Old Dominion Realty, Inc. President,
Colonial Appraisal Service, Inc.

Peter Wray
Principal Broker
Triangle Realtors

Ray Burkholder
Owner
Balzer and Associates, Inc.

Senior Vice Presidents

Gregory Berkshire
Dealer Finance Manager

Sara Berry
Southern Market Manager

Terri Bradley
F&M Mortgage

Carolyn Burnett
Commercial Relationship Manager

Charles Driest
Director of Digital Banking

Jeffrey Lam
Retail Loan Administrator

John Meyer
Information Security Officer

Katherine Preston
Valley Market Executive

Karen Rose
Deposit Operations Officer

Cynthia Sherman
Loans Operations Officer

Dale Shoop
President, VS Title

Natalie Strickler-Alt
Northern Market Manager

Krista Suter
Finance Director

Holly Thorne
Marketing Director

Bobby Williams
Agriculture & Rural Programs Leader

Vice Presidents

Deborah Andes
Collections Manager

Donna Brown
Commercial Relationship Manager

Jordan Dean
Commercial Relationship Manager

Keith Deeds
Facilities Manager

Carolyn Dove
Timberville Branch Manager

Chris Gunter
Broadway Branch Manager

Teresa Helmick
Elkton Branch Manager

Calan Jansen
Investment Consultant, Infinex

Ryan May
Dealer Division Relationship Manager

Jacob Mowry
Marketing Manager

Kevin Nixon
Commercial Relationship Manager

Jonathan Reimer
Commercial Relationship Manager

Matthew Robinson
Investment Consultant, Infinex

Sean Ryman
Contoller

John Sargent
Commercial Relationship Manager

William Steele
Senior Credit Analyst

Jason Withers
Credit Manager

Brooke Zirk
Commercial Relationship Manager

Offices

Corporate Headquarters

205 South Main Street, Timberville, VA
(540) 896-8941
NMLS# 414464

Transfer Agent for F&M Bank Corp. Stock (FMBM)
Broadridge Corporate Issuer Solutions
P.O. Box 1342, Brentwood, NY 11717
P: 844-318-0135 F: 215-553-5402
E: shareholder@broadridge.com
W: <http://shareholder.broadridge.com/FMBM>



NMLS# 414464 / NMLS# 275173

Dealer Finance Division

4759 Spotswood Trail, Penn Laird, VA

F&M Mortgage

2040 Deyerle Avenue, Suite 207, Harrisonburg, VA
540-442-8583

19 Myers Corner Drive, Suite 105, Staunton, VA
540-466-8540

161 South Main Street, Woodstock, VA
540-459-3707
NMLS# 275173

VS Title

410 Neff Avenue, Harrisonburg, VA
540-434-8571

1707 Jefferson Highway, Fishersville, VA
540-213-0419

154 Hansen Road, Suite 202-C, Charlottesville, VA
434-202-4336



Branches

Bridgewater

100 Plaza Drive
540-828-6300

Broadway

126 Timber Way
540-896-7071

Edinburg

300 Stoney Creek Boulevard
540-984-4128

Elkton

127 West Rockingham Street
540-298-1251

Harrisonburg

80 Cross Keys Road
540-433-7575

2030 Legacy Lane
540-433-0112

Staunton

2813 N. Augusta Street
540-213-8686

30 Gosnell Crossing
540-946-8160

Stuarts Draft

2782 Stuarts Draft Highway
540-609-2363

Timberville

165 New Market Road
540-896-1716

Waynesboro

2701 W Main Street
540-943-2080

Winchester (loan office)

45 E. Boscawen Street
540-686-1030

Woodstock

161 South Main Street
540-459-3707



fmbankva.com



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F&M Bank (Farmers & Merchants Bank)



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App Stores: F&M Bank - VA



The theme of this year's annual report is growth & transparency.
To decrease environmental impact, this document has been designed for reduced color printing and printed on recycled/responsibly-sourced paper.

