NEWS RELEASE

# F & M Bank Corp. Announces Record Quarterly and Year to Date Earnings and Dividend Increase

2016-07-22

TIMBERVILLE, VA -- (Marketwired) -- 07/22/16 -- F & M Bank Corp. (OTCQX: FMBM), parent company of Farmers & Merchants Bank, announces its financial results for the second quarter ended June 30, 2016.

Selected highlights for the year include:

- Net income of $4.4 million
- Net interest margin of 4.39%
- Net interest income increased $889 thousand
- Loans held for investment increased $21.9 million
- Non-performing loans have decreased $1 million

Dean Withers, President and CEO, commented, "We are pleased to announce record second quarter and year to date earnings of $2.358 million and $4.448 million. These results represent increases of 8.4% and 9.9% for the respective periods. Loan demand continues to be strong with the growth in loans held for investment totaling $21.9 million year to date. Our net interest margin at 4.39% has been stable over the last several quarters and continues to drive our extraordinary results."

Withers continued, "Non-performing loans have decreased $1 million from year end and $1.7 million from the same period in 2015. A strong local economy and robust real estate sales have both aided the continued improvement in our non-performing loans." Withers stated, "On July 21, 2016 our Board of

Directors declared a second quarter dividend of $.20 per share to common shareholders. This is an increase of $.01 over the prior quarter and $.02 over the prior year. Based on our most recent trade price of $24.00 per share this constitutes a 3.33% yield on an annualized basis. The dividend will be paid on August 18, 2016, to shareholders of record as of August 4, 2016." Highlights of our financial performance are included below.
F & M Bank Corp. is an independent, locally-owned, community bank holding company, offering a full range of financial services, through its subsidiary, Farmers & Merchants Bank's twelve banking offices in Rockingham, Shenandoah, Page and Augusta Counties, Virginia. The Bank also provides additional services through two loan production offices located in Penn Laird, VA and Fishersville, VA and through its subsidiary, VBS Mortgage located in Harrisonburg, VA. Additional information may be found by contacting us on the internet at www.fmbankva.com or by calling (540) 896-8941.

This press release may contain "forward-looking statements" as defined by federal securities laws, which may involve significant risks and uncertainties. These statements address issues that involve risks, uncertainties, estimates and assumptions made by management, and actual results could differ materially from the results contemplated by these forward-looking statements. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in: interest rates, general economic conditions, legislative and regulatory policies, and a variety of other matters. Other risk factors are detailed from time to time in our Securities and Exchange Commission filings. Readers should consider these risks and uncertainties in evaluating forward-looking statements and should not place undue reliance on such statements. We undertake no obligation to update these statements following the date of this press release.

F&M Bank Corp.
Key Statistics

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Q2 | Q1 | YTD | Q2 | Q1 | YTD |
| Net Income (000's) | $ 2,358 | $ 2,090 | $ 4,448 | $ 2,176 | $ 1,871 | $ 4,047 |
| Net Income available to Common | $ 2,231 | $ 1,962 | $ 4,193 | $ 2,049 | $ 1,743 | $ 3,792 |
| Earnings per common share | $ 0.68 | $ 0.60 | $ 1.28 | $ 0.62 | $ 0.53 | $ 0.62 |
| Return on Average Assets | 1.35% | 1.27% | 1.30% | 1.42% | 1.25% | 1.28% |
| Return On Average Equity | 11.08% | 10.07% | 10.53% | 11.63% | 10.38% | 10.23% |
| Dividend Payout Ratio | 29.46% | 31.81% | 30.47% | 29.03% | 33.96% | 31.30% |
| Net Interest Margin | 4.37% | 4.39% | 4.39% | 4.46% | 4.46% | 4.46% |
| Yield on Average Earning Assets | 4.90% | 4.91% | 4.92% | 4.93% | 4.94% | 4.94% |
| Yield on Average Interest Bearing Liabilities | 0.75% | 0.74% | 0.75% | 0.66% | 0.67% | 0.66% |
| Net Interest Spread | 4.15% | 4.17% | 4.17% | 4.27% | 4.27% | 4.28% |
| Provision for Loan Losses (000's) | $ - | $ - | $ - | $ - | $ 300 | $ 300 |
| Net Charge-offs | $ 713 | $ 42 | $ 713 | $ 24 | $ 86 | $ 110 |
| Net Charge-offs as a % of Loans | 0.13% | 0.01% | 0.13% | 0.005% | 0.02% | 0.02% |
| Non-Performing Loans (000's) | $ 5,545 | $ 6,709 | $ 5,545 | $ 7,299 | $ 7,174 | $ 7,299 |
| Non-Performing Loans to Total Assets | 0.76% | 0.98% | 0.76% | 1.13% | 1.11% | 1.13% |
| Non-Performing Assets (000's) | $ 8,331 | $ 9,486 | $ 8,331 | $ 9,744 | $ 9,943 | $ 9,744 |
| Non-Performing Assets to Assets | 1.14% | 1.38% | 1.14% | 1.50% | 1.54% | 1.50% |
| Efficiency Ratio | 60.35% | 61.19% | 60.77% | 59.65% | 60.36% | 58.96% |

(1) The net interest margin is calculated by dividing tax equivalent net interest income by total

average earning assets. Tax equivalent interest income is calculated by grossing up interest income for the amounts that are nontaxable (i.e. municipal securities and loan income) then subtracting interest expense. The tax rate utilized is 34%. The Company's net interest margin is a common measure used by the financial service industry to determine how profitable earning assets are funded. Because the Company earns nontaxable interest income from municipal loans and securities, net interest income for the ratio is calculated on a tax equivalent basis as described above.

(2) The efficiency ratio is not a measurement under accounting principles generally accepted in the United States. The efficiency ratio is a common measure used by the financial service industry to determine operating efficiency. It is calculated by dividing non-interest expense by the sum of tax equivalent net interest income and non-interest income excluding gains and losses on the investment portfolio. The Company calculates this ratio in order to evaluate how efficiently it utilizes its operating structure to create income. An increase in the ratio from period to period indicates the Company is losing a large percentage of its income to expenses.

F & M Bank Corp.
Financial Highlights

| | For Three Months Ended June 30 | |
|---|---|---|
| | Unaudited | Unaudited |
| INCOME STATEMENT | 2016 | 2015 |
| Interest and Dividend Income | $ 15,564,761 | $ 14,383,982 |
| Interest Expense | 1,675,312 | 1,383,329 |
| Net Interest Income | 13,889,449 | 13,000,653 |
| Non-Interest Income | 1,685,154 | 1,739,821 |
| Provision for Loan Losses | - | 300,000 |
| Other Non-Interest Expenses | 9,504,105 | 8,882,243 |
| Income Before Income Taxes | 6,070,498 | 5,558,231 |
| Provision For Income Taxes | 1,532,648 | 1,434,923 |
| Less Minority Interest income | 90,173 | 76,124 |
| Net Income | $ 4,447,677 | $ 4,047,184 |
| Dividend on preferred stock | 255,000 | 255,000 |
| Net Income available to common shareholders | $ 4,192,677 | $ 3,792,184 |
| Average Common Shares Outstanding | 3,285,916 | 3,293,510 |
| Net Income Per Common Share | 1.28 | 1.15 |
| Dividends Declared | .39 | .36 |
| BALANCE SHEET | Unaudited June 30, 2016 | Unaudited June 30, 2015 |
| Cash and Due From Banks | $ 7,316,135 | $ 6,290,636 |
| Interest Bearing Bank Deposits | 1,275,061 | 528,054 |
| Federal Funds Sold | - | - |
| Loans Held for Sale | 97,211,055 | 55,761,519 |
| Loans Held for Investment | 565,988,569 | 532,805,332 |
| Less Allowance for Loan Losses | (8,067,818) | (8,914,344) |
| Net Loans Held for Investment | 557,930,751 | 523,890,988 |
| Securities | 24,950,751 | 24,179,119 |
| Other Assets | 41,353,494 | 35,265,324 |
| Total Assets | $ 730,037,247 | $ 647,915,640 |
| Deposits | $ 504,710,581 | $ 482,770,490 |
| Short Term Debt | 59,417,530 | 48,087,143 |
| Long Term Debt | 66,196,429 | 24,321,429 |
| Other Liabilities | 13,730,604 | 12,219,594 |
| Total Liabilities | 644,055,144 | 567,398,656 |
| Preferred Stock | 9,425,123 | 9,425,123 |
| Common Equity | 76,556,980 | 71,091,861 |
| Stockholders' Equity | 85,982,103 | 80,516,984 |
| Total Liabilities and Stockholders' Equity | $ 730,037,247 | $ 647,915,640 |
| Book Value Per Common Share | $ 23.20 | $ 21.59 |

| | | |
|---|---|---|
| Tangible Book Value Per Common Share | $ 23.11 | $ 21.33 |

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Source: F & M Bank Corp.