

F & M Bank Corp. and Subsidiaries

Consolidated Balance Sheets

ASSETS	December 31,	
	2006	2005
Cash and due from banks (notes 3 and 13)	\$ 6,247,023	\$ 7,904,189
Interest bearing deposits (note 13)	2,004,782	2,228,267
Federal funds sold		2,487,000
Securities -		
Held to maturity - fair value of \$110,000 in 2006 and in 2005 (note 4)	110,000	110,000
Available for sale (note 4)	30,765,145	28,507,086
Other investments (note 4)	6,498,089	6,303,517
Loans held for sale		3,528,233
Loans held for investment (notes 5, 10 and 13)	309,461,302	277,398,164
Less allowance for loan losses (note 6)	<u>(1,791,248)</u>	<u>(1,672,936)</u>
Net Loans Held for Investment	307,670,054	275,725,228
Bank premises and equipment, net (note 7)	7,709,600	5,756,576
Interest receivable	1,876,649	1,366,880
Core deposit intangible (note 20)	1,149,758	1,425,700
Goodwill (note 20)	2,638,677	2,638,677
Bank owned life insurance (note 21)	5,958,372	5,333,824
Other assets	<u>3,295,781</u>	<u>3,013,102</u>
Total Assets	<u>\$ 375,923,930</u>	<u>\$ 346,328,279</u>
LIABILITIES		
Deposits:		
Noninterest bearing	\$ 45,290,649	\$ 46,325,180
Interest bearing:		
Demand	26,567,690	27,736,223
Money market accounts	21,303,401	11,234,039
Savings	32,350,856	43,855,334
Time deposits over \$100,000 (note 8)	45,394,958	35,461,925
All other time deposits (note 8)	<u>118,614,876</u>	<u>102,697,076</u>
Total Deposits	<u>289,522,430</u>	<u>267,309,777</u>
Short-term debt (note 9)	11,716,929	14,345,480
Accrued liabilities	7,332,475	5,297,826
Long-term debt (note 10)	<u>29,247,252</u>	<u>22,808,242</u>
Total Liabilities	<u>337,819,086</u>	<u>309,761,325</u>
STOCKHOLDERS' EQUITY (NOTE 19)		
Common stock \$5 par value, 3,000,000 shares authorized, 2,374,193 and 2,402,037 shares issued and outstanding, for 2006 and 2005, respectively	11,870,965	12,010,185
Capital surplus		
Retained earnings (note 17)	26,794,238	25,135,731
Accumulated other comprehensive income (loss)	<u>(560,359)</u>	<u>(578,962)</u>
Total Stockholders' Equity	<u>38,104,844</u>	<u>36,566,954</u>
Total Liabilities and Stockholders' Equity	<u>\$ 375,923,930</u>	<u>\$ 346,328,279</u>

F & M Bank Corp. and Subsidiaries
Consolidated Statements of Income

	Years Ended December 31,		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
INTEREST AND DIVIDEND INCOME:			
Interest and fees on loans held for investment	\$20,956,638	\$17,662,593	\$14,355,476
Interest on loans held for sale	9,230	870,007	687,538
Interest on deposits and federal funds sold	184,482	176,239	230,508
Interest on debt securities	922,996	707,863	1,038,864
Dividends on equity securities	452,453	460,812	491,158
Total Interest and Dividend Income	<u>22,525,799</u>	<u>19,877,514</u>	<u>16,803,544</u>
INTEREST EXPENSE:			
Interest on demand deposits	581,331	230,320	205,506
Interest on savings deposits	445,925	520,298	452,712
Interest on time deposits over \$100,000	1,897,235	1,022,153	703,622
Interest on all other time deposits	<u>4,331,909</u>	<u>3,032,431</u>	<u>2,609,054</u>
Total interest on deposits	7,256,400	4,805,202	3,970,894
Interest on short-term debt	783,820	1,030,865	419,070
Interest on long-term debt	<u>1,050,761</u>	<u>1,161,860</u>	<u>1,005,606</u>
Total Interest Expense	<u>9,090,981</u>	<u>6,997,927</u>	<u>5,395,570</u>
NET INTEREST INCOME	<u>13,434,818</u>	<u>12,879,587</u>	<u>11,407,974</u>
PROVISION FOR LOAN LOSSES (note 6)	<u>240,000</u>	<u>360,000</u>	<u>240,000</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>13,194,818</u>	<u>12,519,587</u>	<u>11,167,974</u>
NONINTEREST INCOME:			
Service charges on deposit accounts	1,196,688	1,044,244	910,866
Insurance and other commissions	311,234	288,089	374,349
Other operating income	971,293	1,059,625	718,063
Income on bank owned life insurance	274,548	250,998	251,159
Net gain on security transactions (note 4)	192,672	71,044	531,781
Total Noninterest Income	<u>2,946,435</u>	<u>2,714,000</u>	<u>2,786,218</u>
NONINTEREST EXPENSES:			
Salaries	4,272,028	3,565,776	3,184,471
Employee benefits (note 12)	1,455,836	1,249,559	1,207,109
Occupancy expense	517,008	427,353	413,736
Equipment expense	555,342	455,436	421,699
Amortization of intangibles (notes 2 and 20)	275,942	275,942	275,942
Other operating expenses	<u>2,610,684</u>	<u>2,632,911</u>	<u>2,238,326</u>
Total Noninterest Expenses	<u>9,686,840</u>	<u>8,606,977</u>	<u>7,741,283</u>
Income before Income Taxes	6,454,413	6,626,610	6,212,909
INCOME TAX EXPENSE (note 11)	<u>1,925,073</u>	<u>1,846,257</u>	<u>1,863,358</u>
NET INCOME	<u>\$ 4,529,340</u>	<u>\$ 4,780,353</u>	<u>\$ 4,349,551</u>
PER SHARE DATA			
NET INCOME	<u>\$ 1.90</u>	<u>\$ 1.99</u>	<u>\$ 1.80</u>
CASH DIVIDENDS	<u>\$.82</u>	<u>\$.78</u>	<u>\$.74</u>
AVERAGE COMMON SHARES OUTSTANDING	<u>2,386,257</u>	<u>2,407,989</u>	<u>2,413,668</u>

F & M Bank Corp. and Subsidiaries

Five Year Summary of Selected Financial Data

(Dollars in thousands, except per share data)	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income Statement Data:					
Interest and Dividend Income	\$ 22,526	\$ 19,878	\$ 16,804	\$ 16,683	\$ 17,846
Interest Expense	<u>9,091</u>	<u>6,998</u>	<u>5,396</u>	<u>6,010</u>	<u>7,390</u>
Net Interest Income	13,435	12,880	11,408	10,673	10,456
Provision for Loan Losses	<u>240</u>	<u>360</u>	<u>240</u>	<u>226</u>	<u>387</u>
Net Interest Income after Provision for Loan Losses	13,195	12,520	11,168	10,447	10,069
Noninterest Income	2,754	2,643	2,254	2,308	1,380
Securities Gains (Losses)	193	71	532	179	(182)
Noninterest Expenses	<u>9,688</u>	<u>8,608</u>	<u>7,741</u>	<u>7,256</u>	<u>6,448</u>
Income before Income Taxes	6,454	6,626	6,213	5,678	4,819
Income Tax Expense	<u>1,925</u>	<u>1,846</u>	<u>1,863</u>	<u>1,666</u>	<u>1,315</u>
Net Income	<u>\$ 4,529</u>	<u>\$ 4,780</u>	<u>\$ 4,350</u>	<u>\$ 4,012</u>	<u>\$ 3,504</u>
Per Share Data:					
Net Income	\$ 1.90	\$ 1.99	\$ 1.80	\$ 1.66	\$ 1.44
Dividends Declared	.82	.78	.74	.70	.66
Book Value	16.05	15.22	14.21	13.35	12.19
Balance Sheet Data:					
Assets	\$ 375,924	\$ 346,328	\$ 369,957	\$ 309,126	\$ 303,149
Loans Held for Investment	309,461	277,398	248,972	211,231	201,980
Loans Held for Sale		3,528	47,150	-	-
Securities	37,373	34,921	38,800	61,230	69,602
Deposits	289,522	267,310	246,505	240,715	228,284
Short-Term Debt	11,717	14,345	57,362	6,389	8,308
Long-Term Debt	29,247	22,808	26,462	24,784	32,312
Shareholders' Equity	38,105	36,567	34,260	32,319	29,541
Average Shares Outstanding	2,386	2,404	2,414	2,418	2,429
Financial Ratios:					
Return on Average Assets ¹	1.26%	1.34%	1.31%	1.29%	1.21%
Return on Average Equity ¹	12.13%	13.56%	13.11%	13.13%	12.12%
Net Interest Margin	4.17%	3.95%	3.82%	3.82%	4.03%
Efficiency Ratio ²	57.45%	53.07%	54.02%	53.96%	51.28%
Dividend Payout Ratio	43.12%	38.70%	41.06%	42.17%	45.72%
Capital and Credit Quality Ratios:					
Average Equity to Average Assets ¹	10.36%	9.86%	10.00%	9.86%	9.98%
Allowance for Loan Losses to Loans ³	.58%	.60%	.61%	.70%	.73%
Nonperforming Assets to Total Assets	.58%	.20%	.63%	.52%	.86%
Net Charge-offs to Total Loans ³	.04%	.07%	.09%	.10%	.10%

¹ Ratios are primarily based on daily average balances.

² The Efficiency Ratio equals noninterest expenses divided by the sum of tax equivalent net interest income and noninterest income. Noninterest expenses exclude intangible asset amortization. Noninterest income excludes gains (losses) on securities transactions.

³ Calculated based on Loans Held for Investment, excludes Loans Held for Sale.