

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

F&M Financial Corporation

Point of Contact:	C. DeWayne Olive, EVP/CFO	RSSD: (For Bank Holding Companies)	1138450
UST Sequence Number:	778	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	17,243,000	FDIC Certificate Number: (For Depository Institutions)	9963
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	02.13.2009	City:	Clarksville
Date Repaid ¹ :	N/A	State:	Tennessee

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

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X To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

Since receipt of funds, 1-4 family lending increased ~10%, or \$48m, Comm R/E increased 2.5%, or \$12m, and Ag - Farm R/E grew \$11m, or 2%. Conversely construction and A&D loans declined 9%, or \$47m.

X Increase securities purchased (ABS, MBS, etc.).

MBS and CMO investments increased \$4.5m since funding.

X Make other investments.

CRA investments, bonds and loans, increased \$2.2m.

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Increase reserves for non-performing assets.

Empty text box for details regarding the increase in reserves for non-performing assets.

Reduce borrowings.

Retired a holding company loan to reduce leverage at the holding company; thereby reducing debt service expense.

Empty text box for details regarding the reduction in borrowings.

Increase charge-offs.

Empty text box for details regarding the increase in charge-offs.

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Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

CPP funds provided increased capital which permitted increased lending in our markets.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

CPP allowed F&M to continue lending to qualified small businesses and make residential mortgage loans. Without the funds, capital constraints would have required F&M to curtail lending and loan renewals. The years 2008 and 2009, were not optimum years for banks or bank holding companies to issue equity capital. Although, F&M had planned the issue in 2009, the CPP allowed F&M to move an anticipated capital issuance to 2013. F&M anticipates a 2013 and 2014 capital issuances will be much more successful.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Same response as above, the capital infusion allowed F&M to continue lending to credit worthy small businesses and to the residential market.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

Refer to the above comments.