

**CPP ANNUAL USE OF CAPITAL SURVEY - 2013**



**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

F&M Bancshares, Inc

Person to be contacted regarding this report:	J Barry Cary	RSSD: (For Bank Holding Companies)	1135806
UST Sequence Number:	650	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	8,144,000	FDIC Certificate Number: (For Depository Institutions)	08439
CPP/CDCI Funds Repaid to Date:	8,144,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Jan 31, 2009	City:	Trezevant
Date Repaid <sup>1</sup> :	Feb 7, 2013	State:	Tennessee

<sup>1</sup>If 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).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	CPP Funding provided needed resources to make loans, provide economic growth and job creation within its rural service area.
<input checked="" type="checkbox"/>	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.).	All segments have grown with residential mortgages, Agricultural production, non-depository financial, and small business leading the way.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Reserve building is a key objective of Farmers & Merchants Bank; however, it has been necessary to charge down problem assets. Elevated provision expense is anticipated throughout 2014 but should diminish next year.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	Charge offs were \$1,854,000 in 2013 but are expected to drop this year.
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	\$2 million has been used to purchase another branch office in an existing market. This action doubled market share in Trenton, TN and expanded product mix and credit availability to roughly 1600 more clients.
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

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

It caused the bank to loan more money to small businesses and farmers. Additionally, mortgage promotions were held as secondary market resources dried up throughout the trade area.

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

It helped to strengthen the balance sheet and provide greater customer confidence in the soundness and viability.

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