



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Farmers & Merchants Bank, Country Bank Shares, Inc.

Person to be contacted regarding this report:	Gerry A. Dunlap
UST Sequence Number:	467
CPP Funds Received:	7,525,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Jan 30, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	0001416831
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	16810
City:	Milford
State:	Nebraska

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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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 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 funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The Institution purchased \$57,000,000 in Student Loans initially and now holds \$92,000,000 in Student Loans. Prior to receiving TARP funding the Bank owned \$8,000,000 in Student Loans.
<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.).	Although initially the Bank planned to move out of Student Loans and into other types of loans, the demand for new loans has faltered. The Bank in many of its offices loans to Farmers who pay down their loans after the beginning of the year and borrow back through the crop season.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Bank purchased \$8,770,000 in Private Label Mortgage Backed Securities.

<input checked="" type="checkbox"/>	Make other investments	The Bank purchased \$1,500,000 in local Municipal Bond Issues.
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input checked="" type="checkbox"/>	Reduce borrowings	\$2,525,000 of the TARP funding was used to pay principal and interest on Holding Company Debt.
<input type="checkbox"/>	Increase charge-offs	
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	The Holding Company debt serviced by TARP funding was incurred to purchase Kearney State Bank, Kearney, Nebraska, prior to TARP funding.
<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 funds?

TARP funding and the leveraging of those funds has help the Bank grow it Total Risk Based Capital Ratio to 12% as required by Regulators.

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

See above.

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

None.