



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

F & M Financial Corporation

Person to be contacted regarding this report:	Paul Fisher
CPP Funds Received:	\$17,000,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	2/6/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	1076619
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	2036
City:	Salisbury
State:	North Carolina

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 capital allowed us to continue to further lend and to renew maturing loans and lines of credit to our borrowers.
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<input 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.).	
<input type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	
<input type="checkbox"/> Make other investments	
<input type="checkbox"/> Increase reserves for non-performing assets	

<input checked="" type="checkbox"/> Reduce borrowings	A portion of the funds allowed us to decrease borrowings.
<input type="checkbox"/> Increase charge-offs	
<input type="checkbox"/> Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/> Held as non-leveraged increase to total capital	

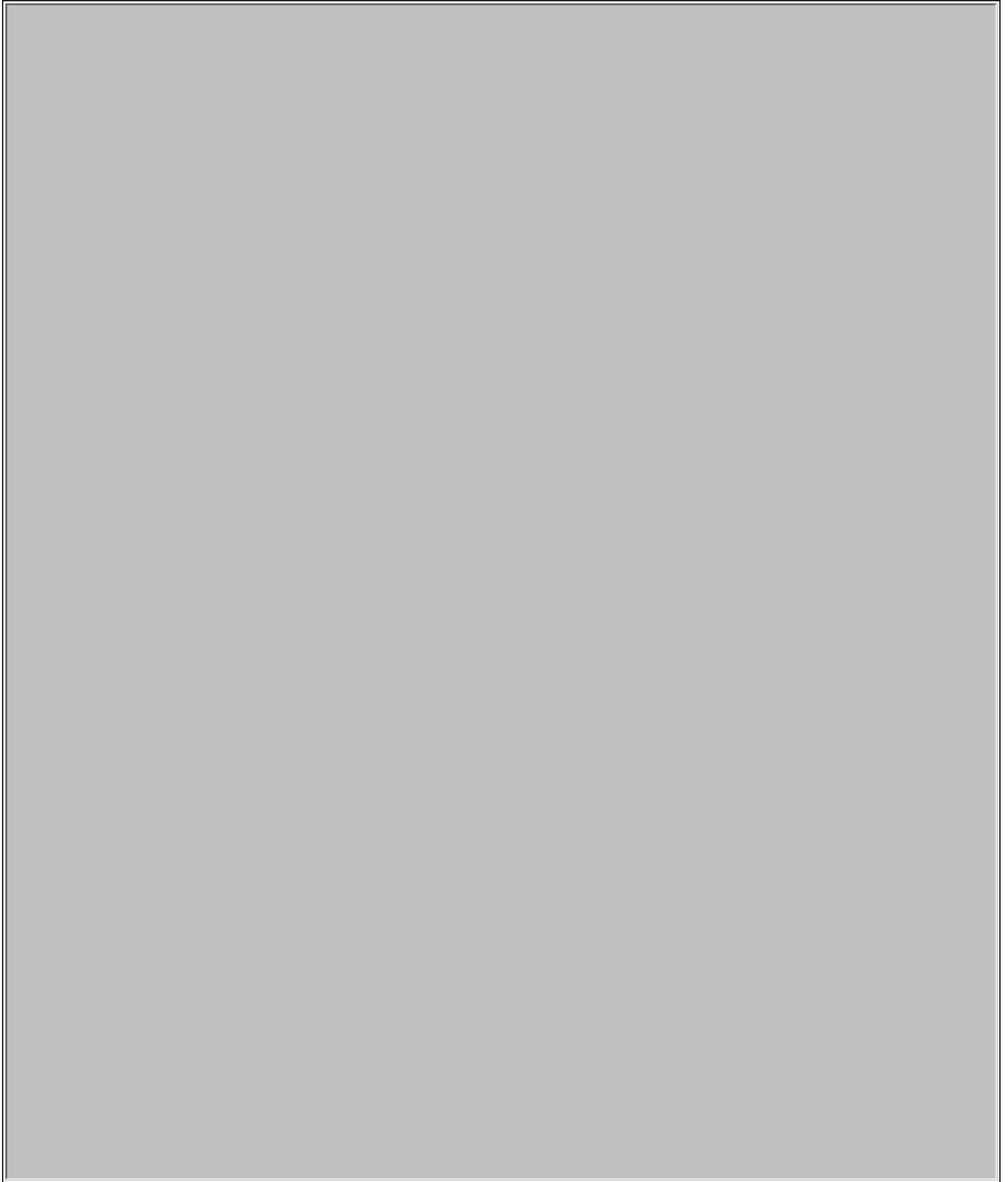
What actions were you able to avoid because of the capital infusion of CPP funds?

We were well-capitalized prior to the CPP; however, we were studying the need to raise capital to support our previous growth and allow us to continue our growth. In 2008, with the recession and liquidity crisis, the capital markets essentially froze for financial institutions. The CPP provided a source of capital at reasonable terms. The CPP allowed us to continue our normal business practices of lending to our borrowers through new loans or renewing maturing loans and lines of credits.

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

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



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.