



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

F&M FINANCIAL CORPORATION, CLARKSVILLE TN

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|---|------------------|--|-------------|
| Person to be contacted regarding this report: | C. DEWAYNE OLIVE | RSSD: (For Bank Holding Companies) | 1138450 |
| UST Sequence Number: | UST #778 | Holding Company Docket Number: (For Thrift Holding Companies) | |
| CPP Funds Received: | 17,243,000 | FDIC Certificate Number: (For Depository Institutions) | 09963 |
| CPP Funds Repaid to Date: | 0 | City: | CLARKSVILLE |
| Date Funded (first funding): | Feb 13, 2009 | State: | Tennessee |
| Date Repaid ¹ : | N/A | | |

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).

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|-------------------------------------|--|--|
| <input checked="" type="checkbox"/> | Increase lending or reduce lending less than otherwise would have occurred. | |
| <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.). | The largest increases as a result of the CPP is residential mortgage loans and secondarily small business lending secured by commercial real estate - not A&D loans. |
| <input type="checkbox"/> | Increase securities purchased (ABS, MBS, etc.). | |

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|-------------------------------------|--|--|
| <input type="checkbox"/> | Make other investments | |
| <input type="checkbox"/> | Increase reserves for non-performing assets | |
| <input checked="" type="checkbox"/> | Reduce borrowings | Retired a holding company loan to reduce leverage at the holding company; thereby reducing debt service expense. |
| <input type="checkbox"/> | Increase charge-offs | |
| <input type="checkbox"/> | Purchase another financial institution or purchase assets from another financial institution | |
| <input checked="" type="checkbox"/> | Held as non-leveraged increase to total capital | CPP funds provided increased capital which permitted increased lending in our markets. |

What actions were you able to avoid because of the capital infusion of CPP 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 2011 or 2012. A 2009 capital issuance, due to heavy national negative press, may not have been successful. F&M anticipates a 2011 or 2012 capital issuance will be much more successful.

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

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

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

Refer to above comments.