

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

F & M Financial Corporation

Point of Contact:	Paul Fisher	RSSD: (For Bank Holding Companies)	1076619
UST Sequence Number:	627	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	17,000,000	FDIC Certificate Number: (For Depository Institutions)	2036
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	February 06, 2009	City:	Salisbury
Date Repaid ¹ :	N/A	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) 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.

The capital allowed us to continue to further lend and to renew maturing loans and lines of credit to our borrowers.

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.).

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

Empty text box for details regarding securities purchased.

Make other investments.

Empty text box for details regarding other investments.

Increase reserves for non-performing assets.

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

Reduce borrowings.

A portion of the funds allowed us to decrease borrowings.

Empty text box for details regarding the reduction of borrowings.

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Increase charge-offs.

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

Held as non-leveraged increase to total capital.

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

(1) We were well-capitalized prior to the CPP; however, we were studying the need to raise capital and 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 credit. Although loan demand was very soft in 2010, we were able to continue "business as usual." (2) In addition, although our 2010 earnings were sufficient to provide reserves for non-performing assets and charge-offs, CPP has also served as a cushion during these very challenging economic times.

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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?

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed answer to the question above. The box is currently blank.

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

A large, empty rectangular box with a black border, intended for the respondent to describe their actions.