

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

GATEWAY BANCSHARES, INC.

Point of Contact:	Felicia F. Barbee	RSSD: (For Bank Holding Companies)	2388775
UST Sequence Number:	1203	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	6,000,000	FDIC Certificate Number: (For Depository Institutions)	34239
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 08, 2009	City:	Ringgold
Date Repaid ¹ :	N/A	State:	Georgia

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.

Total gross loans decreased from January 2010 to December 2010 by \$7.1 million. However, net loan charge offs were \$2.9 million during the same time period. The decrease was due to commercial loans being paid off or refinanced at other larger banks and also a decrease in construction loans.

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.).

Residential mortgage loans did increase over the period by \$3.4 million.

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

Due to the decline in commercial loans, net securities increased during 2010 in the amount of \$9.1 million with an increase in the Mortgage Backed Securities sector of \$11.5 million.

Make other investments.

Increase reserves for non-performing assets.

An additional \$2.2 million was reserved in 2010 for non-performing loans.

Reduce borrowings.

FHLB borrowings were reduced by \$6 million and the Parent Company reduced its borrowings by \$355 thousand.

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Increase charge-offs.

Net loan charge-offs remained elevated above the normal level in 2010 at \$2.9 million.

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?

The CPP funds helped the Bank to remain "well-capitalized" by regulatory standards in a time when net charge offs and non-performing loans still remain elevated. Several restrictions can be imposed upon a bank when they are not considered "well-capitalized" including regulatory orders, deposit rate caps, and the inability to invest in broker deposits to help the funding side of the Bank. The CPP funds has helped the Bank to avoid these scenarios as of the end of 2010. In addition, the Bank currently reports its capital status to its customers on a quarterly basis. By being well-capitalized, the public and customers have sustained confidence in their local community Bank.

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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?

The Bank was still able to increase residential lending to \$3.4 million as described above as well as invest in mortgage backed securities and fund the reserve with \$2.2 million during 2010. These decisions may not have been possible if the Bank did not maintain the appropriate capital.

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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 provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.