

CPP ANNUAL USE OF CAPITAL SURVEY - 2010

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

LIBERTY BANCSHARES, INC

Person to be contacted regarding this report:	Lloyd McCracken, JR	RSSD: (For Bank Holding Companies)	3101784
UST Sequence Number:	454	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	57,500,000	FDIC Certificate Number: (For Depository Institutions)	03878
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 23, 2009	City:	Jonesboro
Date Repaid ¹ :	N/A	State:	Arkansas

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).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	During 2010, as a result of CPP Capital, Liberty Bank of Arkansas was able to fund new loans that it otherwise would have not funded.
<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 checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Liberty Bank of Arkansas increased the amount of investment securities owned during 2010 by approximately \$71 million.

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input checked="" type="checkbox"/>	Reduce borrowings	During 2010, Liberty Bancshares and Liberty Bank of Arkansas reduced their respective short and long-term borrowings approximately \$68 million.
<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	While Bancshares and Liberty Bank were both well capitalized prior to participation in the Capital Purchase Program, the issuance of preferred stock served to further strengthen the already strong capital base of both Bancshares and Liberty Bank.

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

It is not possible to identify any specific actions which Liberty Bancshares or Liberty Bank were able to avoid because of the capital infusion of CPP.

Under the terms of the CPP, preferred equity funds were made available to healthy financial institutions. United States Treasury as well as Federal and state banking regulators recommended that healthy institutions such as Liberty participate in CPP. Both Bancshares and Liberty Bank were each well capitalized prior to participation in the Capital Purchase Program. The capital infusion of CPP funds did serve to further increase the equity capital ratios of both Liberty Bancshares and Liberty Bank of Arkansas. The additional equity from CPP did therefore serve to further strengthen the capital base of both Bancshares and the bank.

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

The CPP funds were not segregated from other funds. Therefore, the CPP funds are co-mingled within the bank and holding company's other funding sources. These other funding sources include deposits, other borrowings and liabilities, and common shareholder equity capital.

During 2010, as a result of CPP Capital, Liberty Bank of Arkansas was able to fund new loans that it otherwise would have not funded. Although, as a result of regular scheduled payments and payoffs, the aggregate volume of loans outstanding at 12/31/10 was less than at 12/31/09, the dollar amount of new loans made or renewed during 2010 increased from 2009.

During 2010, Liberty Bank of Arkansas increased the amount of securities held in its portfolio by approximately \$71 million. The investment securities portfolio of Liberty Bank of Arkansas is composed primarily of securities issued by the Federal Home Loan Bank, the Federal Farm Credit Bank, and securities issued by school districts and municipalities within the state of Arkansas. The mission statement of the Federal Home Loan Bank of Dallas provides that its primary mission is supporting home ownership, affordable housing, and community lending through its member institutions. The mission of the Farm Credit Bank is to provide sound and dependable credit for agricultural products, cooperatives, and certain farm related business. Purchases of investment sec

Also during 2010, Liberty Bancshares and Liberty Bank of Arkansas reduced their respective short and long term borrowings by approximately \$68 million.

The issuance of CPP preferred stock served to further increase the equity capital ratios of both Liberty Bancshares and Liberty Bank. However, both entities were well capitalized prior to participation in CPP. The additional preferred stock issued under CPP did, however, serve to further strengthen the capital base of Bancshares and Liberty Bank.

Prior to participation in CPP, Liberty Bank successfully served the credit needs of both individuals and businesses within the communities we serve. We continue to do so.

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

It is not possible to identify any specific actions that we were able to undertake with the capital infusion of CPP funds. As stated elsew