

**CPP ANNUAL USE OF CAPITAL SURVEY - 2012**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

Village Bank and Trust Financial Corp and its wholly-owned subsidiary, Village Bank

Person to be contacted regarding this report:	Dennis Falk	RSSD: (For Bank Holding Companies)	3251027
UST Sequence Number:	1137	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	14,738,000	FDIC Certificate Number: (For Depository Institutions)	35111
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May1,2009	City:	Midlothian
Date Repaid <sup>1</sup> :	N/A	State:	Virginia

<sup>1</sup>If 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.	While economic and regulatory pressures resulted in a reduction in portfolio loans from 12/31/11 to 12/31/12, reductions were less than they would have been otherwise. Moreover, loan closings at the Bank's wholly-owned mortgage subsidiary rose 28% year-over-year.
<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 growth in activity at the mortgage subsidiary was all in residential lending.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	While the ALLL was lower on an absolute basis year-over-year, the 2012 provision for loan losses was \$9.1 million and OREO expenses totaled \$4.7 million, both expenses which are closed out to capital.
<input checked="" type="checkbox"/>	Reduce borrowings	FHLB Advances were reduced \$9.8 million during 2012.
<input checked="" type="checkbox"/>	Increase charge-offs	NCOs rose \$4.4 million for 2012 versus 2011.
<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/CDCI funds?

The need to take drastic [and potentially harmful to the Bank's existence] measures to maintain a regulatorily acceptable level of capital.

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

The ability to continue to serve our communities from a routine banking perspective as well as a CRA perspective.

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