



**CDCI ANNUAL USE OF CAPITAL SURVEY - 2015**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

First Vernon Bancshares, Inc.

Person to be contacted regarding this report:	Samuel A. Johnson
UST Sequence Number:	1199
CPP/CDCI Funds Received:	6,245,000
CPP/CDCI Funds Repaid to Date:	0
Date Funded (first funding):	Sep 29, 2010
Date Repaid <sup>1</sup> :	N/A

RSSD: (For Bank Holding Companies)	382537
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	51
Credit Union Charter Number: (For Credit Unions)	
City:	Vernon
State:	Alabama

<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.	We have been able to maintain a higher level of small business loans in our target market than we would have otherwise during the period of the CPP/CDCI funding. Loan demand has remained weaker than normal, but we have continued to service our customer base despite the declines.
<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.).	With excess cash on hand and a lack of growing loan demand we have purchased and maintained a higher level of these securities that spur economic growth in other ways. We likely would have not maintained as high a level without the funding.

<input checked="" type="checkbox"/>	Make other investments	We continue to invest in FDIC insured banks and NCUA insured Credit Unions, with a focus on CDFI's. We have increased this level of CDFI funding in the more recent years to those who have loan demand in rural or undeserved communities.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	We continue to maintain a higher than normal vs. peer ALLL during the period. We expect this to remain the case until loan demand and economic conditions improve in our target market. Then, if warranted shift more into lending.
<input checked="" type="checkbox"/>	Reduce borrowings	We were able to reduce non core funding over the period without any undue pressure on the capital of the bank. The long term approach to this has improved margins and efficiency.
<input type="checkbox"/>	Increase charge-offs	
<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?

Without the funding, we might have taken fewer steps in an attempt to work out problem loans or might have been forced to liquidate some assets before it was appropriate to meet some other need which would have had a negative impact on the strength of the bank.

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

The infusion of capital allowed us to make some long range plans to strengthen the bank in regards to capital ratios, reduced non core funding sources, and reduction of classified assets. We are in a good position to help customers in our target market for the long term.

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