



CPP ANNUAL USE OF CAPITAL SURVEY - 2015

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Grand Mountain Bancshares, Inc. / Grand Mountain Bank, FSB

Person to be contacted regarding this report:	Mark Lund	RSSD: (For Bank Holding Companies)	3835203
UST Sequence Number:	1219	Holding Company Docket Number: (For Thrift Holding Companies)	H-4351
CPP/CDCI Funds Received:	3,076,000	FDIC Certificate Number: (For Depository Institutions)	57531
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 29, 2009	City:	Granby
Date Repaid ¹ :	N/A	State:	Colorado

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 type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	
<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 type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The funds received primarily provided a capital cushion to the Grand Mountain Bank, FSB, which allowed it to absorb the increased level of charge-offs brought on by the recession.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	As noted above, the CPP funds provided a capital cushion which allowed the Bank to absorb the increased level of charge-offs brought on by the recession.
<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?

Although Grand Mountain Bank, FSB continues to operate under a Cease and Desist order, it has been able to avoid falling below the statutory capital level requirements for well capitalized institutions. The Bank's Tier 1 and Risk-based capital ratios at December 31, 2015 were 7.76% and 15.53%, respectively. However, the Bank's Tier 1 Capital is less than the 8% required by the Cease and Desist order noted above. The Bank's Risk-based capital ratio exceeds the 12.00% requirement included in the order.

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

As noted above, Grand Mountain Bank was able to increase the allowance for loan losses in order to absorb the high level of charge-offs brought on by the recession, and maintain its capital levels above the statutory requirements for well capitalized institutions. At its high point, the allowance for loan losses exceeded 5% of loans outstanding. At December 31, 2015, the Bank's allowance for loan losses was 2.05%, which was considered adequate and in accordance with generally accepted accounting principles and regulatory guidance.

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