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

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

MAGNOLIA STATE CORPORATION

Person to be contacted regarding this report:	LILLOUS A. SHOEMAKER	RSSD: (For Bank Holding Companies)	34434
UST Sequence Number:	754	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	7,922,000	FDIC Certificate Number: (For Depository Institutions)	22081
CPP/CDCI Funds Repaid to Date:	3,700,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Sep 29, 2010	City:	Bay Springs
Date Repaid[1]:	Dec 17, 2014	State:	Mississippi

[1]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).

☒	Increase lending or reduce lending less than otherwise would have occurred.	A lesser capital position would have discouraged deposit and lending growth due to capital constraints.
☐	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.).	
☐	Increase securities purchased (ABS, MBS, etc.).	

☐	Make other investments	
☐	Increase reserves for non-performing assets	
☒	Reduce borrowings	The CDCI funds allowed us to reduce other borrowings to $0 as of Year-end 2015.
☐	Increase charge-offs	
☐	Purchase another financial institution or purchase assets from another financial institution	
☒	Held as non-leveraged increase to total capital	Despite repaying $3,700,000 in December 2014, Magnolia State Bank was able to increase its capital as of December 31, 2015, by $1,641,591, resulting in an increased capital to asset ratio of 9.87% compared to 8.96% as of December 31, 2014.

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

Through CDCI funding, our capital to asset ratio has increased. Through increased capital, we have been able to remain independent and locally based in order to better serve the financial needs of our local target markets. This increase in capital has also positioned the bank to support deposit and lending growth opportunities in the markets that we serve.

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

We were able to increase our overall lending levels across all categories of loans, while other borrowings decreased and capital increased.

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

We are expanding in one of our target markets which will allow for deposit growth to support and fund loan growth.

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.