



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

FC Holdings, Inc. (First Community Bank, National Association)

Person to be contacted regarding this report:	Douglas J. Harker
UST Sequence Number:	1180
CPP Funds Received:	21,042,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Jun 26, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	0003309629
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	26435
City:	Sugar Land
State:	Texas

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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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 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 funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The Bank reduced loans by \$73,052,000 during the six month period ended December 31, 2009 due to weak economic conditions.
<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	For the six month period ended December 31, 2009, the Bank increased its allowance for loan losses by \$7,418,000, after net charge-offs of \$6,457,000 during the period, to \$19,163,000.
<input checked="" type="checkbox"/> Reduce borrowings	The Bank reduced brokered deposits by \$10,972,000 during the six month period ended December 31, 2009. The Company also retired notes payable to a third party bank totaling \$5,500,000 during the same period.
<input checked="" type="checkbox"/> Increase charge-offs	Net charge-offs for the Bank increased \$3,946,000 to \$6,457,000 for the six months ended December 31, 2009 compared to \$2,511,000 for the six months ended June 30, 2009.
<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 funds?

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

The Company received of \$21,042,000 through the Capital Purchase Program (CPP) on June 26, 2009. The Company allocated the CPP proceeds as follows:

- (i) \$15,000,000 was contributed to First Community Bank, N.A. (Bank), the Company's only banking subsidiary;
- (ii) \$1,000,000 was contributed to FC Bankers Services, Inc. (BSI), a nonbanking Company subsidiary which provided back office support services only to the Bank; and
- (iii) \$5,042,000 was retained by the Company for general corporate purposes. The Company provided executive, accounting, internal audit, compliance, training and marketing functions to the Bank during the period.

The Company completed a review of goodwill for impairment and recognized an impairment loss on goodwill of \$37.396 million prior to June 26, 2009. This charge reflected declines in market values of peer banks in Texas and a weaker economic outlook in the state. The subsequent infusion of CCP funds enhanced the Company's ability to raise capital. The Company subsequently sold 3,500,000 shares of its Series E Preferred Stock for cash consideration of \$35,000,000 on March 5, 2010.

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