



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Vernon Bancshares, Inc.

Person to be contacted regarding this report:	Samuel Andrew Johnson
UST Sequence Number:	1199
CPP Funds Received:	6,000,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Jun 12, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	382537
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	51
City:	Vernon, AL
State:	Alabama

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 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	Recent quarters have shown declines in asset quality among portions of the loan portfolio. We have been aggressive in this regard and been able to maintain a strong capital base. This is critical in being able to serve our customers needs in the future.
<input checked="" type="checkbox"/>	Reduce borrowings	This has been a strategy of our bank for the last couple of years. Along with a reduction in loan demand, we have been able to grow our core deposit base and reduce wholesale type borrowings. This will help us be better positioned to handle our customer needs as the economy begins to grow.
<input checked="" type="checkbox"/>	Increase charge-offs	The funds have allowed us to remain prudent and aggressive in this regard. Again, this will allow us to be well positioned to handle customer needs as the economy turns around.
<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?

The access to these funds helped us avoid looking for other options for increasing capital. While researching these possibilities, we found this to be a reasonable alternative to other capital sources.

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

We have been able to continue our strategy of reducing wholesale type funding. We have seen strong deposit growth from our core customers and plan to continue reducing wholesale funding throughout 2010. We have matched maturities of securities to the maturities of the wholesale deposits and continue to pay them off. We also had some unusual opportunities to pay of FHLB Advances in 2009 as rates were very volatile. We were able to reduce our overall interest expense in these transactions. All of these actions will benefit our customers as loan demand increases in the future.

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

The CPP program has provided us with the ability to manage our loan portfolio with a more aggressive nature, as mentioned in the se