



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

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Person to be contacted regarding this report:	Jack Gregory
UST Sequence Number:	556
CPP Funds Received:	6,100,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	May 1, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	9050
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	30696
City:	Orange
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 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 checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Due to the economy our institution experienced difficulty in increasing our lending. Efforts were made to increase loan volume during 2009, but demand was lacking in our market. As a result of this decreased loan demand we found it necessary to increase our investments.

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input checked="" type="checkbox"/>	Reduce borrowings	Reduced our FHLB borrowings
<input checked="" type="checkbox"/>	Increase charge-offs	In large part to the CPP funds, the Bank was able to effectively deal with the chargeoff of problem participation loans and the write-off of \$2.5MM of FHLMC preferred stock.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	As a result of the capital infusion provided by these funds, the Bank was able to maintain its well capitalized status in accordance with federal regulations.

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

As a result of the capital infusion provided by these funds, the Bank was able to maintain its well capitalized status in accordance with federal regulations. This aided the Bank in its recovery from certain losses in its loan portfolio. This also allowed the Bank to continue at a level of profitability which has funded its 2010 loan growth.

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

In large part to the CPP funds, the Bank was able to effectively deal with the chargeoff of problem participation loans and the write-off of \$2.5MM of FHLMC preferred stock. This allowed the Bank to maintain a healthy capital position and to return to profitability in 2009. This return to profitability helped facilitate a successful common stock offering by the Bank in December of 2009.

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

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