



## ANNUAL USE OF CAPITAL SURVEY - 2009

### NAME OF INSTITUTION

(Include Holding Company Where Applicable)

PlainsCapital Corporation / PlainsCapital Bank

Person to be contacted regarding this report:	Scott J. Luedke	RSSD: (For Bank Holding Companies)	1247893
CPP Funds Received:	\$87,631,000	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	17491
Date Funded (first funding):	12/19/2008	City:	Dallas
Date Repaid <sup>1</sup> :		State:	Texas

<sup>1</sup>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). 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 additional CPP capital allowed our subsidiary bank to increase its warehouse line of credit to our mortgage origination subsidiary from \$225 million at the beginning of 2009 to \$600 million at December 31, 2009.
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<input checked="" 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.).	<p>With its increased warehouse line of credit, our mortgage subsidiary increase its monthly average outstanding residential mortgage notes from \$151 million at the beginning of 2009 to \$391 million at year end 2009, and total mortgage originations increased 3.3 billion to \$5.7 billion during 2009.</p>
<input checked="" type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	<p>During 2009, our subsidiary bank purchased \$470 million in par value of securities. The portfolio totaled \$552 million at year end 2009 - a \$298 million increase over 2008. A significant portion of purchases have been securities issued by the State of Texas and numerous Texas municipalities.</p>
<input type="checkbox"/> Make other investments	
<input type="checkbox"/> Increase reserves for non-performing assets	

<input checked="" type="checkbox"/>	Reduce borrowings	<p>During 2009, our subsidiary bank used a portion of the CPP capital to displace brokered certificates of deposits, advances from the Federal Home Loan Bank and borrowings at the Federal Reserve Bank discount window. We now use wholesale funding sources to optimize our capital structure.</p>
<input type="checkbox"/>	Increase charge-offs	
<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	<p>At December 31, 2009, we held approximately \$21 million of CPP capital as a non-leveraged increase to total capital.</p>

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

**Reduce Reliance on Wholesale Funding Sources:**

Prior to receiving the CPP capital, our subsidiary bank utilized brokered certificates of deposit, advances from the Federal Home Loan Bank and borrowings from the Federal Reserve Bank discount window to fund a portion of its ongoing operations. Receipt of the CPP capital has allowed our subsidiary bank to displace some of the funding from those sources.

The CPP capital enhanced our bank's already healthy capital ratios. During 2009, the bank experienced an influx of core deposits, which management partially attributes to a migration of deposits to institutions with stronger capital ratios.

Combined with the growth of the bank's deposit base, the CPP capital infusion has resulted in our no longer needing to rely on wholesale funding sources to fund daily operations. Rather, we can now utilize wholesale funding sources on an as-need basis to optimize our capital structure.

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

Increase Investments in Securities:

At year end 2009, our subsidiary bank's securities portfolio totaled \$552 million - an increase of \$298 million over the total of \$254 million at year end 2008. During 2009, the bank purchased \$470 million in par value of fixed income securities. These include over \$81 million of bank qualified municipal bonds issued by numerous Texas municipalities, nearly \$74 million of variable rate municipal notes issued by the State of Texas and other Texas municipalities, nearly \$3.6 million in Federal agency mortgage issues which funded lower to moderate income housing, and nearly \$270 million in collateralized mortgage obligations backed by conforming paper issued by GNMA, FNMA, or FHLMC.

Of particular note, our subsidiary bank purchased \$38.9 million of variable rate demand notes issued by the City of Arlington, Texas. Our purchase of these securities aided the City of Arlington, Texas by eliminating an unwanted early redemption event of the entire issue of variable rate demand notes.

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

When the CCP capital was received in late 2008, the funds were booked to our preferred stock account. We then made a capital contribution to our bank subsidiary equal to the amount of the CPP capital. This capital contribution was recorded in "other surplus" on our bank's balance sheet and was not otherwise segregated from other funds or specifically earmarked for any particular use. In addition to the matters discussed elsewhere in this survey, this additional capital has allowed the bank to maintain strong capital ratios and continue to be an active lender in the markets it serves during a challenging economic period. While it is difficult to pinpoint which specific loans our subsidiary bank made with the CPP capital, this additional capital has allowed our subsidiary bank to grow its balance sheet assets (primarily through loan growth and investments in municipal securities) at a pace more rapidly than it could through retained earnings.

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.