CPP ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Duke Financial Group, Inc.

Point of Contact:	Brenda L. Coulter	RSSD: (For Bank Holding Companies)	1127913
UST Sequence Number:	1166	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	12,000,000	FDIC Certificate Number: (For Depository Institutions)	N/A
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	June 19, 2009	City:	Minneapolis
Date Repaid[1]:	N/A	State:	Minnesota

[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).

X **Increase lending or reduce lending less than otherwise would have occurred.**

During 2011, we continued to renew and advance new funds to credit-worthy businesses and individuals. Loan demand remains at very low levels, especially in Southern California.

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☐ **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.).**

X **Increase securities purchased (ABS, MBS, etc.).**

Our investment portfolio had a net increase of approximately $50 million (or 42%) during 2011. On a combined basis in 2011, our banks purchased approximately $81 million in securities, primarily MBS and Corporate bonds.

☐ **Make other investments.**

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☐ **Increase reserves for non-performing assets.**

☒ **Reduce borrowings.**

As each subsidiary bank received loan repayments, borrowings were reduced by $2 million during 2011. In addition, brokered certificates decreased by over $9 million.

☐ **Increase charge-offs.**

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☐ **Purchase another financial institution or purchase assets from another financial institution.**

☒ **Held as non-leveraged increase to total capital.**

Total assets continued to decrease at each of our subsidiary banks in 2011 as a result of reduced loan demand and loan repayments. Capital ratios improved as a result. Our subsidiary banks remain well-capitalized.

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

Prior to 2011, Duke injected a total of $9.6 million of the CPP funds into two of our subsidiary banks. This has allowed our banks to remain well capitalized and well positioned to continue serving their respective local communities. Without the CPP funds, our subsidiary banks would have had to decrease assets by an additional $106.6 million over the past 3 years, assuming a 9% leverage capital ratio. At least 70 percent of this discount would have come from further reductions in the loan portfolio.

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

The continued use of the CPP funds allowed Duke to protect the banks from future losses and to support future loan growth as the economy continues its recovery. During 2011 as loan demand remained weak, our subsidiary banks purchased approximately $50 million of mortgage-backed securities. At December 31, 2011 each bank's capital, as well as Duke's capital, is strong and well above the "well-capitalized" requirements.

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

No other comments to add at this time.