



## ANNUAL USE OF CAPITAL SURVEY - 2009

### NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Duke Financial Group, Inc.

Person to be contacted regarding this report:	Brenda L. Coulter	RSSD: (For Bank Holding Companies)	1127913
UST Sequence Number:	1166	Holding Company Docket Number: (For Thrift Holding Companies)	N/A
CPP Funds Received:	12,000,000	FDIC Certificate Number: (For Depository Institutions)	NA
CPP Funds Repaid to Date:	0	City:	Minneapolis
Date Funded (first funding):	June 19, 2009	State:	Minnesota
Date Repaid <sup>1</sup> :	N/A		

<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.	Given our banks' financial strength, we have continued to renew and advance new funds to credit worthy businesses and individuals. Loan demand remains at very low levels, especially in southern California.
<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.).	N/A
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	N/A

<input type="checkbox"/>	Make other investments	N/A
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	From 6/30/09 through 12/31/09, the time period we had TARP funds, over \$5 million was added to the allowance for loan losses to cover charge-offs of non-performing loans as well as maintain an adequate level of reserves.
<input type="checkbox"/>	Reduce borrowings	
<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	Total assets decreased at each of our subsidiary banks during 2009 as a result of significantly reduced loan demand and loan repayments. Capital ratios improved as a result. At December 31, 2009, CPP funds totaling \$5 million remain in reserve; and \$7 million was added to bank capital.

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

As a result of receiving the CPP funds and injecting \$7 million in our subsidiary banks, our banks 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 \$77.7 million, assuming a 9% leverage capital ratio. At least 70 percent of this decrease would have come from further reductions in the loan portfolios.

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

Duke Financial Group, Inc. (Duke) received CPP funds June 19, 2009. As the effects of the economy adversely impacted our bank customers in Minnesota and California, the level of nonperforming assets increased at each of our banks. This resulted in increased loan charge offs as well as the need to increase the allowance for loan losses. The CPP funds allowed Duke to inject capital totaling \$7 million into our subsidiary banks in order to maintain higher levels of capital to protect the banks from future losses and to support future loan growth at such time the economy recovers. In addition, aggregate borrowings were reduced by approximately \$25 million during the time period from June 30, 2009 to December 31, 2009. At December 31, 2009, each bank's capital as well as Duke's capital is strong and well above the "well-capitalized" requirements.

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

No other comments to add at this time.

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.