

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Merchants and Manufacturers Bank Corporation/Merchants and Manufacturers Bank

Point of Contact:	Brad W. Butler, SVP	RSSD: (For Bank Holding Companies)	2022734
UST Sequence Number:	1164	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	3,510,000	FDIC Certificate Number: (For Depository Institutions)	20040
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	June 19, 2009	City:	Joliet
Date Repaid ¹ :	N/A	State:	Illinois

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) 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).

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

The Bank increased loan originations and loan renewal activity because of the additional capacity provided by the CPP funds. Average loans outstanding increased by 18.9%, or \$20.7 million, from June 2009 to December 2010.

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.).

Small Business Loans: +10.7% (+\$8.8 million) Residential Loans: +10.2% (+\$1.1 million) Personal/Private Loans: +72.7% (+10.9 million)

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

Empty response area for 'Increase securities purchased (ABS, MBS, etc.).'

Make other investments.

Empty response area for 'Make other investments.'

Increase reserves for non-performing assets.

In light of increasing uncertainty in the economy and in direct response to losses in the portfolio, MMB reserved \$1.7 million in funds for non-performing assets in 2010.

Empty response area for 'Increase reserves for non-performing assets.'

Reduce borrowings.

Empty response area for 'Reduce borrowings.'

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Increase charge-offs.

Charge-offs for 2010 totaled \$1.6 million and write-downs on foreclosed assets totaled \$289,000.

Empty text box for details regarding charge-offs.

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

Empty text box for details regarding purchases.

Held as non-leveraged increase to total capital.

Empty text box for details regarding non-leveraged increases.

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

The Bank has been able to avoid many actions in light of the CPP fund infusion and the growth it spurred. The Bank recorded record net interest income in 2010, which allowed it to absorb nearly \$1.9 million in write downs in assets yet still remain profitable and well capitalized. During this entire economic cycle, the Bank has been able to continue to lend to credit worthy small businesses and individuals.

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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?

Merchants and Manufacturers Bank is a niche commercial lender based in Joliet, Illinois, which is located just south of Chicago. In late 2008, the Bank was approaching its growth cap based on the capital on hand. By that time, the crisis in the Banking industry virtually shut down the equity markets available to privately held commercial banks like MMB. Despite remaining profitable and being relatively unscathed from the economic turndown, the prospects for continued growth at the Bank were not good. The extension of CPP funds to privately held banks provided much needed funds for the bank to continue to lend to its target markets, including privately held manufacturers and distributors in the greater Chicago area market. As a result of this influx of capital, which was not available in the private sector at the time, the Bank was able to extend credit for 166 new loans for a total dollar amount of \$51.6 million. Included in these loans were loans to small businesses that collectively employ over 2,000 employees and pay taxes on over \$300 million in gross annual revenue. Based on the strong growth in 2009 and the beginning of 2010, the Bank was able to raise \$1.3 million in new capital to continue to lend to its target markets. Overall, the Directors, Officers and Employees are proud of their record of deploying the funds received under the Capital Purchase Program. The Bank is still actively lending to small businesses throughout its market in a safe and sound manner with the express purpose of helping our customers achieve their goals in this trying time.

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

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions undertaken with the capital infusion of CPP/CDCI funds.