

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

Emclaire Financial Corp/The Farmers National Bank of Emlenton

Point of Contact:	William C. Marsh Chairman, President & CEO	RSSD: (For Bank Holding Companies)	1480944
UST Sequence Number:	173	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	7,500,000	FDIC Certificate Number: (For Depository Institutions)	7875
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	December 23, 2008	City:	Emlenton
Date Repaid <sup>1</sup> :	N/A	State:	Pennsylvania

<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) 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's gross loan portfolio increased \$14.5 million or 4.9% during 2010 to \$310.3 million at December 31, 2010 from \$295.8 million at December 31, 2009.

**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.).**

Loan growth was experienced through increases in the Bank's residential and commercial real estate, commercial business and consumer loan portfolios during 2010.

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

The Bank's securities portfolio increased \$20.6 million or 19.6% during 2010 to \$125.8 million at December 31, 2010 from \$102.5 million at December 31, 2009. Security purchases were funded by a \$24.3 million increase in customer deposits and excess cash held from the 2009 branch acquisition.

**Make other investments.**

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

The Bank's allowance for loan losses increased \$930,000 during 2010 to \$4.1 million at December 31, 2010 from \$3.2 million at December 31, 2009. This increase was due to \$14.5 million growth in the Bank's loan portfolio in addition to a \$4.2 million increase in non-performing loans.

**Reduce borrowings.**

The Bank repaid \$10.0 million of Federal Home Loan Bank long-term advances during 2010, reducing the Bank's reliance on borrowed funds to \$30.0 million at December 31, 2010 from \$40.0 million at December 31, 2009.

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Increase charge-offs.

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

On August 28, 2009, the Bank purchased a full service branch office in Titusville, PA from PNC/National City in connection with the required regulatory divestiture of that branch office resulting from PNC's 2008 acquisition of National City.

Held as non-leveraged increase to total capital.

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

A large, empty rectangular box with a black border, intended for the respondent to provide their answer to the question above.

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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?**

On August 28, 2009 the Bank consummated its purchase of a full service branch office in Titusville, PA from PNC/National City in connection with the required regulatory divestiture of that branch office resulting from PNC's purchase of National City. Without TARP CPP funding, the Corporation and the Bank may not have had the opportunity to purchase this branch office. TARP CPP funding provided the Bank with the regulatory capital base to purchase the branch office and afforded the Bank the opportunity to provide community banking services to the Titusville, PA market.

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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 taken with the capital infusion of CPP/CDCI funds.