

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



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

Blackhawk Bancorp, Inc.

Point of Contact:	Todd James	RSSD: (For Bank Holding Companies)	27548
UST Sequence Number:	789	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	10,000,000	FDIC Certificate Number: (For Depository Institutions)	14078
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	NA
Date Funded (first funding):	March 13, 2009	City:	Beloit
Date Repaid <sup>1</sup> :	N/A	State:	Wisconsin

<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.**

In 2010, lending was increased more than would have been possible without CPP. Total loans increased by \$11.5 million during the year.

**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.).**

During the year, the bank increased its lending in commercial real estate by \$9 million and in commercial and industrial loans by \$15 million. The Bank normally sells our mortgage loans originated in the secondary market, so with refinancing activity residential mortgages decreased by \$7 million.

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

**Make other investments.**

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

**Reduce borrowings.**

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Increase charge-offs.

Empty response box for "Increase charge-offs."

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

Empty response box for "Purchase another financial institution or purchase assets from another financial institution."

Held as non-leveraged increase to total capital.

During the year, capital was retained on the balance sheet with no additional leverage other than from loan growth.

Empty response box for "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?

The receipt of the CPP funds enabled the bank to continue lending in its local markets rather than focusing on shrinking the balance sheet. While the stated regulatory requirements to be considered a well capitalized institution have not changed, the regulatory agencies are increasing their expectations of the cushion banks should maintain above the well capitalized threshold. Management believes that the stated requirements for banks to be considered well capitalized are likely to increase in the future as well. Without the CPP or some other capital infusion to the bank, risk weighted assets would have had to be reduced by nearly \$50 million from the December 31, 2008 level to achieve a total risk based capital ratio of 12%, which appears to be the new standard in the industry. The CPP capital allowed the bank to avoid decreasing the loan and investment portfolios by the amount needed to meet the new expectations on capital levels. In 2010 we continued lending and were able to avoid turning customers away due to capital restraints.

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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 receipt of the CPP funds enabled the bank to continue lending in the local markets. Total loans increase approximately \$11 million from December 31, 2009 to December 31, 2010.

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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.