

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Mid-Wisconsin Financial Services, Inc.

| | | | |
|--------------------------------|-------------------|--|-----------|
| Point of Contact: | Scot G. Thompson | RSSD: (For Bank Holding Companies) | 1139185 |
| UST Sequence Number: | 740 | Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 10,000,000 | FDIC Certificate Number: (For Depository Institutions) | 13273 |
| CPP/CDCI Funds Repaid to Date: | | Credit Union Charter Number: (For Credit Unions) | |
| Date Funded (first funding): | February 20, 2009 | City: | Medford |
| Date Repaid ¹ : | N/A | State: | Wisconsin |

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.

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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.).

In 2011 we extended 238 residential mortgage loans totaling \$37,132,000 to qualified borrowers that were subsequently sold to the secondary loan market. Increased the Agricultural segment in the loan portfolio by \$5,680,000 (primarily to finance dairy production).

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

Due to weak economic conditions and soft loan demand in the markets we serve, excess liquidity was invested in securities. The securities portfolio increased \$9,066,000 in 2011, of which \$10,737,000 was in Mortgage backed securities.

Make other investments.

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X Increase reserves for non-performing assets.

The level of the provision for loan losses is directly correlated to the amount of net charge-offs, as it is policy that the loan loss provisions, over time, to exceed net charge-offs and provide coverage for potential credit losses in the existing loan portfolio. 2011 coverage ratio was 2.98%.

X Reduce borrowings.

Federal Home Loan Bank borrowings decreased by \$2,500,000 in 2011.

X Increase charge-offs.

Net charge-offs were \$4,405,000 in 2011 compared to \$3,241,000 in 2010. The provision for loan losses was \$4,750,000 for 2011 and \$4,755,000 for 2010.

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

Held as non-leveraged increase to total capital.

The holding company contributed \$500,000 of capital to the Bank in 2011. The capital infusion allowed the Bank to remain above the regulatory capital requirements.

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

The infusion of capital provided by the CPP funds enabled us to avoid the need of initiating a capital raise while we focus on improving asset quality and working out current credit issues in the Bank's 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 Bank services a diverse customer base throughout North Central Wisconsin including the following industries: agriculture (primarily dairy), retail, manufacturing, service, resort properties, timber and businesses supporting the general building industry. We continue to concentrate our efforts in originating loans in our local markets and assisting our current loan customers. We are actively utilizing government loan programs such as those provided by the U.S. Small Business Administration, U.S. Department of Agriculture, and USDA Farm Service Agency to help these customers weather current economic conditions and position their businesses for the future. Also, we were able to restructure 48 loans totaling \$14,728,000 in 2011. Restructured loans involve the granting of some concession to the borrower as a result of their financial distress involving the modification of terms of the loan, such as changes in payment schedule or interest rate, which generally would not otherwise be considered, to increase the likelihood of long-term loan repayment.

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

This area is a large, empty rectangular box intended for the respondent to provide a detailed description of any other actions undertaken with the capital infusion of CPP/CDCI funds. The box is currently blank.