



## ANNUAL USE OF CAPITAL SURVEY - 2009

### NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Farmers State Bank Shares, Inc. (The Farmers State Bank)

Person to be contacted regarding this report:	James Meyer	RSSD: (For Bank Holding Companies)	1717707
CPP Funds Received:	\$700,000	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	15258
Date Funded (first funding):	3/20/2009	City:	Holton
Date Repaid <sup>1</sup> :		State:	Kansas

<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.	We were able to increase lending by a solid \$2.1MM thanks to CPP. Moreover since the beginning of the year 2010 we have increased that amount by an additional \$1.7MM bringing total loans to \$30MM.
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<input checked="" 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.).	Commercial R/E loans were increased in the amount of \$374,000.00, Commercial Loans to businesses was increased by \$1,985,000.00. We also purchased commercial participation loans from other banks in the amount of \$489,000.00.
<input checked="" type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	We were also able because of TARP Funds to increase security purchases by \$3.5MM of which \$1MM was for CMO's, \$1.4MM were Corporate Securities such as Catepillar and The Principal Insurance Company, and \$1MM was made up of Build America Bonds.
<input type="checkbox"/> Make other investments	
<input checked="" type="checkbox"/> Increase reserves for non-performing assets	Because we were able to make additional loans and purchase additional securities we were able; through earnings, to fund our loan loss reserve and add an additional \$188K to our capital.

<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	During the remaining months of 2008 just after the TARP injection in March we charged off \$95,790.52 in bad loans in 2009 we again charged off bad loans in the amount of \$104,224.56 for a grand total of \$200,015.08.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

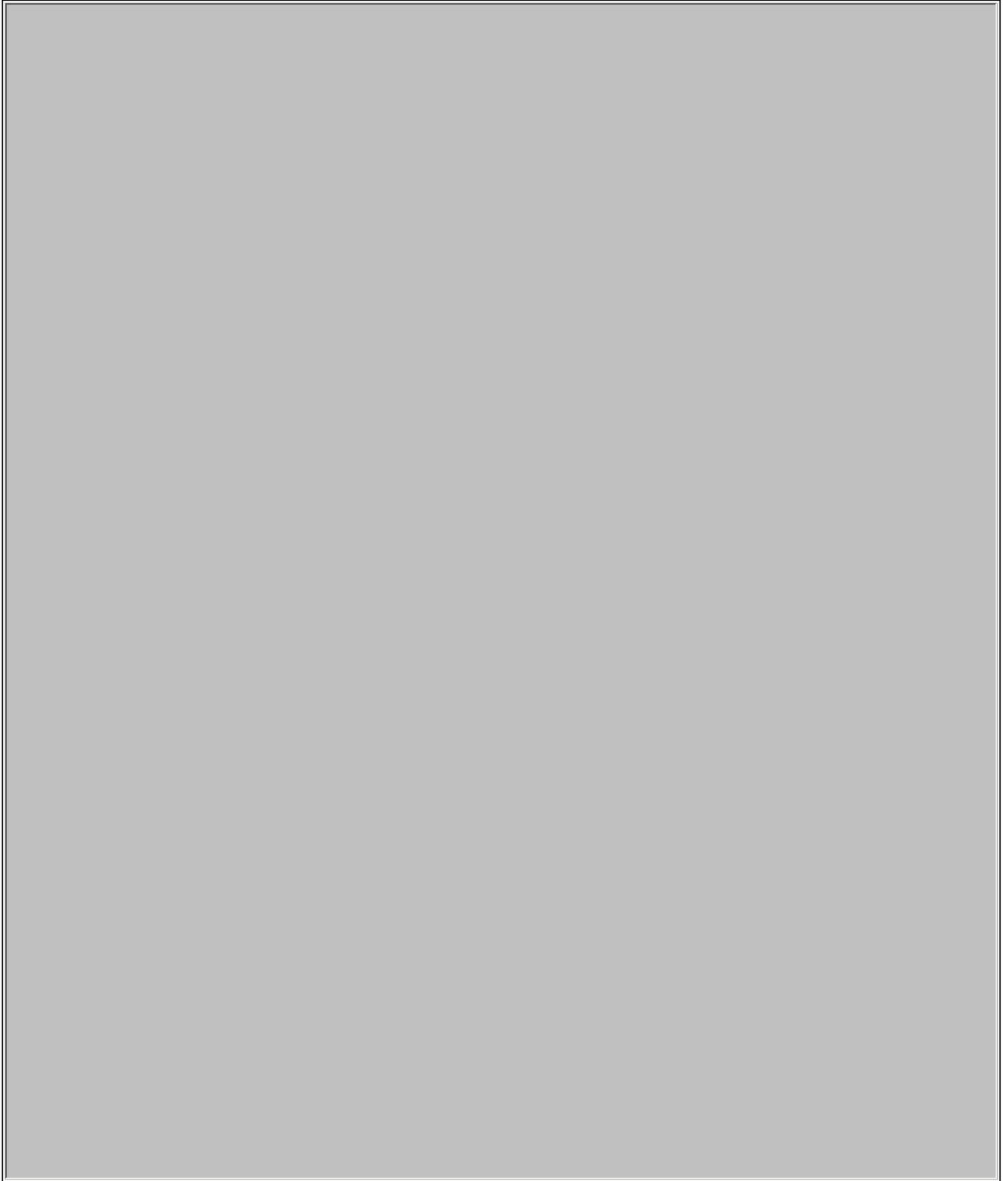
What actions were you able to avoid because of the capital infusion of CPP funds?

We were capable of avoiding cost cutting measures at the bank such as layoffs and delaying much needed equipment purchases.

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

Without the infusion of capital we would not have been able to maintain a satisfactory capital level in this very dangerous economic situation. Data indicates that without the infusion our capital position, with the growth that we saw in deposits and assets (\$38.1MM to \$43.9MM in deposits and from \$46.1MM to \$52.9MM in assets), would have dwindled from from 9.3% to 8.2%. This would have alarmed our Board of Directors and our regulators. Instead because of the capital infusion we maintained capital at 9.6%. This made us a stronger and more flexible bank for the future.

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



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