

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

PASCACK COMMUNITY BANK, SUBSIDIARY OF PASCACK BANCORP, INC.

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|--------------------------------|-------------------|--|------------|
| Point of Contact: | GEORGE NIEMCZYK | RSSD: (For Bank Holding Companies) | 0 |
| UST Sequence Number: | 691 | Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 3,756,000 | FDIC Certificate Number: (For Depository Institutions) | 57215 |
| CPP/CDCI Funds Repaid to Date: | | Credit Union Charter Number: (For Credit Unions) | |
| Date Funded (first funding): | February 06, 2009 | City: | WESTWOOD |
| Date Repaid ¹ : | N/A | State: | New Jersey |

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.

Between 01/01/2010 and 12/31/2010, the Bank's gross loans increased by \$44,595,062, or 22.9%.

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.).

The breakdown of the aforesaid increase in gross loans is as follows: Residential: \$7,390,237 Commercial: \$37,606,705 Other: \$(401,880)

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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.

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

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?

Because of the receipt of CPP funds, the Bank was able to grow its assets to \$297,994,000 from \$277,521,000, an increase of \$20,473,000 or 7.38%. Also, due to expansion, the Bank's deposits grew to \$244,219,000 from \$231,534,000, an increase of \$12,685,000 or 5.5%.

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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?

With the capital infusion of CPP funds, we were able to increase our branch network to six branches from four and increase our assets and deposits as previously mentioned. The Bank's net income for 2010 was \$1,855,000 compared to a loss of \$(2,526,000) for 2009. This represents a turnaround from year to the next of approximately \$4,381,000.

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

With the capital infusion of CPP funds, we were also able to form a bank holding company in the early part of 2010.