

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

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

First Priority Financial Corp. / First Priority Bank

Person to be contacted regarding this report:	Mark J. Myers	RSSD: (For Bank Holding Companies)	3597042
UST Sequence Number:	686	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	9,175,000	FDIC Certificate Number: (For Depository Institutions)	58092
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Feb 20, 2009	City:	Malvern
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).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	As a five year old bank, one of our primary objectives is to grow our loan portfolio and to maintain a well-capitalized institution. During 2010, the Bank funded \$72 million in loan advances offset by \$34 million in loan pay downs for a net increase in loans outstanding of \$38 million, or 19.5%.
<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.).	The increase in loans outstanding during 2010 consisted principally of \$18.7 million in CRE loans, of which 52% were owner occupied, \$15.0 million of loans secured by 1-4 family residential properties, and \$3.0 million of C&I loans, primarily to small businesses.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Bank continued to utilize the longer term funding provided by the TARP CPP funds to invest in financing to state and local municipalities by investing in municipal bonds, primarily Build America Bonds. This portion of the Bank's portfolio totaled \$9.5 million at 12/31/10.

<input type="checkbox"/> Make other investments	
<input type="checkbox"/> Increase reserves for non-performing assets	
<input type="checkbox"/> Reduce borrowings	
<input type="checkbox"/> Increase charge-offs	
<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/CDCI funds?

As previously mentioned, First Priority's business plan, as a five-year old denovo financial institution, requires the Bank to grow earning assets and the overall balance sheet in order to reach a level of profitability which can internally generate sufficient capital to support continued growth of the Bank into the future. The issuance of the \$9 million in preferred stock under the TARP CPP program has allowed the institution to continue its business plan to grow lending relationships and has provided the capital which continues to support additional loan generation during a time when the availability of new investment capital has been scarce or non-existent.

The Bank's risk-based capital ratio at 12/31/10 was 13.00%, well in excess of the current 10% required to be considered "well capitalized" under regulatory Prompt Corrective Action Provisions. Assuming the same asset base, without the issuance of the preferred stock under the TARP CPP program, the Bank's risk-based capital ratio would be lower than the required 10% at 12/31/10. This would have limited, or reduced, a portion of the incremental lending growth which the Bank achieved during 2010, as well as the Bank's future growth plans; without issuance of alternative qualifying capital.

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

The capital provided by the CPP funds allowed the Bank to continue to invest in Build America Bonds and other financing required by certain state and local municipalities.

In addition, the TARP capital issued provided a means for the Bank to stay the course on its strategic initiative to grow and expand its lending capabilities. In order to provide funding for incremental lending and enhance our customer service and support capabilities, the Bank added a new office located in Lansdale, Montgomery County, PA in October 2010. This new location helps to fill in our market coverage in Bucks and Montgomery Counties within Southeastern PA and also supports the primary goals of the Bank to expand and add customer relationships through lending and core deposits to both individuals and small businesses within the markets which we operate.

The additional capital also increases the Bank's legal lending limit, or the maximum amount that the Bank is allowed to lend to any one particular customer, which has allowed for additional lending opportunities to existing business customers which may have been limited previously due to the size of the Bank. In addition, the increase in the lending limit also allows the Bank to market and provide loan and deposit products to other potential customers who might have a slightly higher borrowing need, and to create more extensive banking relationships with those customers.

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

The additional capital that CPP funds have provided allows for a higher consumer confidence level thus enabling additional deposit c