

CPP ANNUAL USE OF CAPITAL SURVEY - 2010

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

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Person to be contacted regarding this report:	Robert A. Vandenberg, SEVP	RSSD: (For Bank Holding Companies)	1404799
UST Sequence Number:	343	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	59,000,000	FDIC Certificate Number: (For Depository Institutions)	19953
CPP/CDCI Funds Repaid to Date:	40,000,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Feb 6, 2009	City:	Oak Ridge
Date Repaid ¹ :	Mar 16, 2011	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).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Exclusive of commercial leases for which Lakeland Bank implemented an accelerated disposition strategy in 2009, Lakeland Bank's commercial and consumer lending in 2010 increased by \$51.5 million, or 3%, despite its \$20 million partial CPP repayment in August 2010.
<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.).	During 2010, Lakeland Bank continued to receive customer interest in its residential mortgage loans for their flexibility and local servicing. Similar growth occurred in our small business lending portfolio.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	During 2010, due, in part, to the increase in total deposits, securities purchases by Lakeland increased from \$457 million to \$553 million, or a \$96 million increase.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	During 2010, Lakeland increased its allowance for loan and lease losses to \$27.3 million, or \$1.8 million over 2009, as the provision of \$19.2 million for 2010 exceeded actual chargeoffs. In contrast, the provision for 2009 was \$51.6 million.
<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 checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Supplementing our response to the increase in securities purchased, these investments were structured to provide cash flow over the next few years so that funds would be available as Lakeland's lending increased.

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

No actions to report.

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

No actions to report.

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

Although Lakeland would have remained active in residential lending had it not received the Treasury's CPP investment, the addition