

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

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

Northern State Bank

Person to be contacted regarding this report:	Lewis Foulke	RSSD: (For Bank Holding Companies)	
UST Sequence Number:	884	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	2,571,000	FDIC Certificate Number: (For Depository Institutions)	58054
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 15, 2009	City:	Closter
Date Repaid <sup>1</sup> :	N/A	State:	New Jersey

<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.	The CPP funds allowed the bank to grow its loan portfolio to a higher level than we otherwise would have been able to because the capital was treated as Tier 1 capital.
<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 CPP funds supported commercial real estate and 1 - 4 family residential loans which grew by 12.5% and 6.3% respectively during 2010.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<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?

The bank avoided having to shrink the size of the balance sheet or simply maintaining its outstanding loans. The bank also avoided borrowings from the FHLB which would have negatively impacted our overall liquidity position and capital ratios.

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

As previously noted, the bank was able to grow its loan portfolio to levels that otherwise would not have been possible. This supported growth in all loan categories. Without the CPP funds the bank would have been forced to preserve its existing capital and curtail lending activities.

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

The CPP funds enabled management to grow the bank's balance sheet in a controlled way, thereby reducing operating losses and im