

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:	Joseph C Spada	RSSD: (For Bank Holding Companies)	2754334
UST Sequence Number:	559	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	10,973,000	FDIC Certificate Number: (For Depository Institutions)	35077
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	1/23/2009	City:	West Chester
Date Repaid ¹ :	N/A	State:	Pennsylvania

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.	Stonebridge Bank believes that it would have reduced lending by approximately \$100 million more during 2010 if TARP funds were not obtained.
<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.).	Stonebridge Bank renewed lines of credit for consumer and commercial loans totaling \$4.8 million for 2010. We also continued to make new consumer, commercial and commercial mortgage loans totaling \$2.1 million during 2010.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	During 2010, Stonebridge Bank purchased \$20.2 million in U.S. Government Agency securities, \$13.2 million in MBS, \$5.9 million in US Treasury securities and \$3.1 million in other bonds.

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input checked="" type="checkbox"/>	Reduce borrowings	Stonebridge Bank reduced its borrowings from the FHLB by \$15.0 million during 2010.
<input checked="" type="checkbox"/>	Increase charge-offs	Net charge-offs increased \$7.4 million during 2010.
<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	In addition to the items above, Stonebridge Bank kept the full amount of TARP CPP preferred stock funds in capital.

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

Stonebridge Bank was able to maintain its high level of capital throughout 2010 as a result of the addition of TARP CPP funding. During this period, we were also able to provide \$10.1 million to the allowance for loan losses during the year for non-performing assets. Without the TARP CPP funds, Stonebridge Bank estimates that it would have needed to reduce assets by an additional \$100 million during the year to meet its current capital ratio levels. This reduction could have required the sale of various securities, the reduction of its loan portfolio, and the possible calling and freezing of many commercial and consumer lines of credit.

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

Stonebridge Bank was able to maintain its current lines of credit commitments for various loan fundings, purchase of securities, origination of new loans, and the continued attraction and retention of deposits.

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

None