



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Lakeland Bancorp, Inc.

Person to be contacted regarding this report:	Robert A. Vandenberg, SEVP
UST Sequence Number:	343
CPP Funds Received:	59,000,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Feb 6, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	1404799
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	19953
City:	Oak Ridge
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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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 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 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 implemented an accelerated disposition strategy in 2009, Lakeland's commercial and consumer lending increased by \$174,556,000 from December 31, 2008 to December 31, 2009.
<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 2009, Lakeland Bank received increased customer interest in its residential mortgage loans for their flexibility and local servicing. Similar growth occurred in our small business lending portfolio as the result of curtailed lending by larger financial institutions in our markets.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	During 2009, due, in part, to the increase of total deposits, Lakeland purchased securities, as reflected in the increase in the value of its investment securities from \$392,288,000 as of December 31, 2008, to \$457,351,000 as of December 31, 2009, an increase of \$65,063,000.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	During 2009, Lakeland's subsidiary, Lakeland Bank, recorded a provision for loan and lease losses of \$51.6 million, compared to \$23.7 million in 2008. The 2009 loan loss provision included an allocation of \$36.5 million for the leasing division and \$11.2 million for commercial loans.
<input checked="" type="checkbox"/>	Reduce borrowings	During 2009, due, in part, to the increase of total deposits, Lakeland reduced its long-term borrowings from \$288,222,000 as of December 31, 2008, to \$223,222,000 as of December 31, 2009, a decrease of \$65,000,000.
<input checked="" type="checkbox"/>	Increase charge-offs	During 2009, Lakeland charged off loans and leases of \$53.4 million, including \$22.1 million of mark-to-market adjustments, and recovered \$2.3 million in previously charged off loans and leases compared to \$14.0 million and \$605,000, respectively, during 2008.
<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, it should be noted that these investments were structured to provide cash flow over the next few years so that funds would be available as Lakeland's lending accelerated.

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

No actions to report.

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

No actions to report.

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

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