



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

NATIONAL PENN BANCSHARES, INC.

Person to be contacted regarding this report:	Andy Ellsworth 610-369-6451 Gary Rhoads 610-369-6341
UST Sequence Number:	189
CPP Funds Received:	150,000,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Dec 12, 2008
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	1117026
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	
City:	Boyertown
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). 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.	Initially, the additional capital provided the resources to generate new loans. As the economy worsened and demand from borrowers diminished, the capital continued to provide the flexibility for continuing to lend to new and existing borrowers.
<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.).	In 2009 the company originated new loans in excess of \$1.25 billion primarily due to individuals and small businesses. Included in this total are new residential mortgage loans in the amount of \$356 million (compared to \$127 million in 2008) that were sold on the secondary market.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	In addition to the company's lending throughout 2009, the company also continued its commitment to supporting homebuyers through the purchase of U.S. Government and Agency mortgage backed securities in the amount of \$130.5 million.

<input checked="" type="checkbox"/>	Make other investments	Under the company's Distressed Borrower Modification Program, more than 50 borrowers have been helped with modification assistance to their mortgages with pre-modification balances of \$8.4 million.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	As borrowers increasingly struggled to repay their obligations in the difficult economy, the company increased its reserve for loan losses by \$62.3 million during the year 2009.
<input checked="" type="checkbox"/>	Reduce borrowings	Liquidity provided by the CPP capital contributed to the reduction of \$199.2 million in borrowing advances from the Federal Home Loan Bank.
<input checked="" type="checkbox"/>	Increase charge-offs	Net loan charge-offs increased from \$29.3 million in 2008 to \$91.8 million in 2009.
<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 funds?

National Penn has always been a loan driven organization. The CPP capital may have provided a measure of stability for the company to be able to continue lending in the difficult environment in 2009. While loan outstandings actually decreased in 2009 due to loan charge-offs and paydowns, the origination of new loans exceeded \$1.25 billion for the year.

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

Due to the unprecedented economic environment in 2009, the CPP capital, combined with our common equity raises in 2009 of approximately \$225 million, provided management with the ability to strengthen the balance sheet with increased capital levels.

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

None.