



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Northway Financial, Inc.

Person to be contacted regarding this report:	Richard P. Orsillo	RSSD: (For Bank Holding Companies)	2582827
UST Sequence Number:	581	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Received:	10,000,000	FDIC Certificate Number: (For Depository Institutions)	
CPP Funds Repaid to Date:	0	City:	Berlin
Date Funded (first funding):	Jan 30, 2009	State:	New Hampshire
Date Repaid ¹ :	N/A		

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.	Refer to last box for response
<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.).	Refer to last box for response
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Refer to last box for response

<input checked="" type="checkbox"/>	Make other investments	Refer to last box for response
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Refer to last box for response
<input checked="" type="checkbox"/>	Reduce borrowings	Refer to last box for response
<input checked="" type="checkbox"/>	Increase charge-offs	As noted above, Northway's net charge-offs increased to \$1.0 million in 2009 from \$560,000 in 2008. Gross charge-offs, principally from the hospitality sector, amounted to \$1.2 million in 2009 compared to \$706,000 in 2008.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	N/A
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Refer to last box for response.

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

In 2009, Northway experienced record deposit growth and very strong loan demand. We believe this growth came about as many individuals, businesses and municipalities saw the Bank as a safe harbor as consumers moved to community banks, in what has been described nationally as a "flight to quality." We are extremely pleased that Northway is being perceived by new customers as their bank of choice.

The CPP funds helped us to support this record growth. Without the CPP funds we may have needed to raise additional capital in an economic time when the options for community banks to raise capital were somewhat limited.

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

The additional capital levels not only allowed Northway to meet the needs of an expanded customer base, it also allowed us to work with those borrowers who were experiencing difficulty in making loan payments. These activities, we believe, are consistent with the U.S. Treasury's objectives. We are also pleased that the U.S. Treasury's investment in Northway has contributed to our ability to increase lending to individuals, businesses and municipalities in the market we serve.

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

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