



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

State Bank of Long Island (State Bancorp, Inc.)

Person to be contacted regarding this report:	Patricia M. Schaubeck
UST Sequence Number:	146
CPP Funds Received:	36,842,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Dec 5, 2008
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	1138861
Holding Company Docket Number: (For Thrift Holding Companies)	N/A
FDIC Certificate Number: (For Depository Institutions)	19695
City:	Jericho
State:	New York

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.	The Company originated approximately \$262 million in gross loans during 2009, with \$133 million comprised of new borrowing relationships.
<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 major categories of loans originated were commercial real estate loans, \$147 million, and commercial and industrial loans, \$115 million (including small business loans).
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Company's investment portfolio increased by approximately \$4 million net during 2009. Approximately \$205 million in mortgage-backed securities were purchased by the Company during 2009.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The Company increased its allowance for loan and lease losses by \$10.0 million in 2009. The Company recorded a \$39.5 million provision for loan losses in 2009.
<input checked="" type="checkbox"/>	Reduce borrowings	The Company reduced its borrowings in 2009 by exchanging \$10 million of subordinated debt for equity and reducing average other temporary borrowings (largely FHLB-NY advances) by \$98 million. This decrease was partially offset by a \$29 million participation in the FDIC TLGP in March 2009.
<input checked="" type="checkbox"/>	Increase charge-offs	The Company charged off \$29.5 million (net of recoveries) of loans in 2009 in a process that reduced non-performing and other troubled loans in the balance sheet.
<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?

As discussed below, the CPP allowed the Company to liquidate approximately \$100 million of low quality and non-accrual loans and securities during 2009. The ability to take these actions at levels higher than the Company might have undertaken without CPP funds enabled the Company to avoid carrying this significant amount of under- and non- performing assets on its books and incurring the costs associated with managing these assets, such as collection, property maintenance and legal expenses. The Company and its subsidiary bank have at all times remained "well capitalized" without giving consideration to the additional capital provided by the CPP. The CPP, however, allowed the Company in a period of extreme economic uncertainty to aggressively address its problem assets with a greater degree of certainty and comfort than would have otherwise been the case.

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

State Bancorp, Inc. participated in the CPP to help restore confidence in the nation's financial system and ensure that credit continued to be available to its clients. The Company did not need to participate in the program, but elected to participate at the encouragement of its regulators. Prior to receiving CPP funds, the Company's capital ratios exceeded the regulatory guidelines for a well capitalized institution. The Company's capital ratios continued to exceed the regulatory guidelines for a well capitalized institution throughout 2009.

The Company undertook various actions in 2009 that it likely would have taken without CPP funds, but perhaps to a lesser degree. For example, the Company exchanged \$10 million, 8.25% subordinated debt for common equity. The Company liquidated approximately \$100 million of low quality loans and securities at a discount, including a significant portion of non-accrual loans, resulting in a significant loss for the Company. The liquidation was comprised of loan charge offs and a \$20 million bulk loan sale. In addition, the Company increased its allowance for loan and lease losses by \$10.0 million to 2.6% of total loans and 474% of non-accrual loans at 12/31/09, excluding non-accrual loans classified as held for sale. After the completion of these actions, the Company's capital ratios continued to exceed all regulatory requirements for a well capitalized institution at 12/31/09 without giving effect to the CPP funds.

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

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.