



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Stewardship Financial Corporation / Atlantic Stewardship Bank

Person to be contacted regarding this report:	Claire M. Chadwick
UST Sequence Number:	380
CPP Funds Received:	10,000,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Jan 30, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	2290560
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	26390
City:	Midland Park
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.	Based upon its growth over the past years, SFC was just beginning to evaluate the future need to raise capital to support potential growth. With frozen capital markets, the CPP funds enabled SFC to continue to lend and limited the concern on when a capital raising effort might be completed.
<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.).	Primarily commercial & industrial loans and commercial mortgage loans to local businesses in our market.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	MBS securities were purchased to initially leverage the CPP funds. Cash flows from MBS have been and will to be used for lending.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	A consideration of accepting CPP funds was concern for the economy and the effects on SFC borrowers. With limited ability to raise capital in the markets, CPP provided a comfort level. In 2009 SFC recorded a \$3.6MM loan loss provision vs. \$3.6MM in '08 (primarily Q3/Q4) but only \$530,000 in '07.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	Charge-offs for 2009 were \$1.9MM compared to \$2.9MM in 2008 (primarily Q4) and only \$185,000 in 2007.
<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 noted above, the Board of SFC knew that additional capital would need to be raised at some point in the future in order to support expected growth in the balance sheet. Although not an immediate need, when evaluating the reasons for accepting CPP funds, the Board considered the uncertainty as to when the capital markets might 'normalize'. While certainly capital could be raised in the markets, the cost of such seemed excessive in comparison to the cost of the CPP funds.

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

While not a significant concern, the CPP funds allowed us to continue to lend in the communities served by SFC.

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.