



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Stonebridge Financial Corp / Stonebridge Bank

Person to be contacted regarding this report:	Joseph C. Spada
UST Sequence Number:	559
CPP Funds Received:	10,973,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Jan 23, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	2754334
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	35077
City:	West Chester
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.	Stonebridge Bank believes that it would have reduced lending by approximately \$100 million more during 2009 if TARP funds were not obtained.
<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.).	Stonebridge Bank renewed lines of credit for consumer and commercial loans totaling \$57,587,000 for 2009. We also continued to make new consumer, commercial and commercial mortgage loans totaling \$13,080,000 during 2009.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	During 2009, Stonebridge Bank purchased \$18,518,000 in MBS, \$17,978,000 in FNMA, FHLMC or GNMA bonds, \$1,042,000 in Municipal bonds, and \$19,122,000 in other bonds.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Stonebridge Bank was able to increase its reserves for non-performing assets by \$3,748,000 during 2009.
<input checked="" type="checkbox"/>	Reduce borrowings	Stonebridge Bank reduced its borrowing from the FHLB by \$20,000,000 during 2009. Stonebridge Bank reduced other long-term borrowing by \$2,000,000 during 2009.
<input checked="" type="checkbox"/>	Increase charge-offs	Net charge-offs increased to \$4,703,000 during 2009.
<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	In addition to the items above, Stonebridge Bank kept the full amount of TARP CPP preferred stock funds in capital.

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

Stonebridge Bank was able to maintain its high level of capital throughout 2009 as a result of the addition of TARP CPP funding. During this period, we were also able to provide \$8,450,000 to the allowance for loan losses during the year for non-performing assets. Without the TARP CPP funds, Stonebridge Bank estimates that it would have needed to reduce assets by an additional \$100 million during the year to meet its current capital ratio levels. This reduction could have required the sale of various securities, the reduction of its loan portfolio, and the possible calling and freezing of many commercial and consumer lines of credit.

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

Stonebridge Bank was able to maintain its current lines of credit commitments for various loan fundings, purchase of securities, origination of new loans, and the continued attraction and retention of deposits.

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

None

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.