

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Berkshire Bancorp, Inc. and its wholly-owned subsidiary Berkshire Bank

Point of Contact:	Lori A. Maley, CPA, CFO	RSSD: (For Bank Holding Companies)	3447464
UST Sequence Number:	1154	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	2,892	FDIC Certificate Number: (For Depository Institutions)	57492
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	June 12, 2009	City:	Wyomissing
Date Repaid ¹ :	N/A	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) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI 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/CDCI investment was deployed or how many CPP/CDCI 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/CDCI 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/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

Total loans decreased from 12/31/2009 to 12/31/2010 by \$2.8 million or 2.56%. This was the result of decreased loan demand from previous years levels, the transfer of non-performing loans which approximated \$3.2 million to OREO which was offset by some slight organic loan growth.

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.).

Even though total loan balances decreased, Berkshire Bank originated Small Business Administration Loans (SBA) under the SBA 7(a) program whereby the SBA guarantees up to 90 percent of the principal balance. Berkshire Bank originated \$3.4 million in SBA loans during 2010.

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Increase securities purchased (ABS, MBS, etc.).

Empty response box for 'Increase securities purchased (ABS, MBS, etc.).'

Make other investments.

Empty response box for 'Make other investments.'

Increase reserves for non-performing assets.

Berkshire funded the ALLL by \$672 thousand during 2010. This was the direct result of an increase in chargeoffs which amounted to \$333; from a level of \$431 thousand to \$764 thousand.

Empty response box for 'Increase reserves for non-performing assets.'

Reduce borrowings.

Berkshire reduced FHLB- Pittsburgh borrowings from a level of \$4.3 million in 2009 to \$764 thousand in 2010.

Empty response box for 'Reduce borrowings.'

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Increase charge-offs.

Berkshire increased charge-offs by \$333 thousand during 2010. Charge-offs for 2009 equated to \$431 thousand and \$764 thousand for the year ended 12/31/2010.

Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

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

Berkshire Bank, during 2010, continued to maintain well-capitalized ratios and did not fall below these guidelines due to the capital infusion of CPP funds. The Bank was willing and able to make new loans when customer demand warranted. Unfortunately, the Berks County market of Pennsylvania has not seen a tremendous demand for loan volume as consumer and business confidence has lagged. Even though total loan balances decreased, Berkshire Bank originated Small Business Administration Loans (SBA) under the SBA 7(a) program whereby the SBA guarantees up to 90 percent of the principal balance. Berkshire Bank originated \$3.4 million in SBA loans during 2010. The CPP funds provided the necessary capital "cushion" to protect the Bank from adverse conditions in the local market and assisted in weathering the financial storm of the last several years. The CPP funds provided the necessary stabilization when considering the increased levels of non-performing loans and non-performing assets which the Bank experienced during 2010. As loan problems have stabilized in 2011 and the Bank has had success in reducing the Other Real Estate owned balance by \$1.7 million, the CPP funds continue to provide a well-capitalized position for the Bank.

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

N/A

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

The Bank continued to support and contribute positively to the community in which it is situated.