

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Stewardship Financial Corporation / Atlantic Stewardship Bank

Point of Contact:	Claire M. Chadwick	RSSD: (For Bank Holding Companies)	2290560
UST Sequence Number:	380	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	10,000,000	FDIC Certificate Number: (For Depository Institutions)	26390
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 30, 2009	City:	Midland Park
Date Repaid ¹ :	N/A	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) 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.

Deposit growth continues to fund asset growth which begins to put pressure on SFC's capital levels. With frozen capital markets limiting SFC's ability to raise capital, the CPP funds enable SFC to continue to lend and limits the concern on when a common stock offering might be completed.

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 and, to a lesser extent, residential mortgage loans.

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

MBS securities were initially purchased to leverage the CPP funds, enabling the use of cash flows from MBS to be used for lending.

Make other investments.

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 2010 SFC recorded a \$9.6MM loan loss provision vs. \$3.6MM in '09, \$3.6MM in '08 and just \$530,000 in '07.

Reduce borrowings.

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Increase charge-offs.

Charge-offs for 2010 were \$8.1MM compared to \$1.9MM in 2009 and \$2.9MM in 2008 (primarily Q4) and only \$185,000 in 2007.

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?

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.

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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?

The CPP funds allowed us to continue to lend in the communities served by SFC.

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

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.