

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Wachusett Financial Services, Inc.

Point of Contact:	Richard Hayward, Jr.	RSSD: (For Bank Holding Companies)	3195765
UST Sequence Number:	1345	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	12,000,000	FDIC Certificate Number: (For Depository Institutions)	90181
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 11, 2009	City:	Clinton
Date Repaid ¹ :	N/A	State:	Massachusetts

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.

Thanks to the CPP funds, we have been able to keep our lending window open. The CPP funds have allowed us to continue growing assets by solidifying our capital position. We continue to offer very competitive loan rates in the market to meet the needs of our customers.

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.).

We have been able to increase lending in all areas such as residential mortgages loans, commercial real estate and C&I loans, and consumer loans. We had record amounts of originations in 2010, but the growth in loan balances is low as pay-downs have increased.

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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.

We increased our Allowance for Loan Loss balance in 2010 in order to properly reserve for the increase in non-performing loans in all loan categories. We were also able to work with more struggling borrowers to modify the terms of their non-performing loans.

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

Reduce borrowings.

Paid off several high rate borrowings.

Empty response box for 'Reduce borrowings.'

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Increase charge-offs.

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?

Thanks to the CPP funds in place, we were able to keep the lending window open so that we could meet the needs of our customers. We were also able to consider more loan modifications with customers who were struggling because we had the capital and Allowance for Loan Loss balances to support more non-performing & adverse loans.

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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?

As discussed above, we were able to increase lending while working with struggling borrowers to make more loan modifications.

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

None noted.