

There's a lot to life, count on Peoples.

www.peoplesbank-wa.com

Capital Purchase Program

Frequently Asked Questions

Why is Peoples Bank participating in TARP?

Peoples Bank has elected to participate in the Treasury's TARP - Capital Purchase Plan (CPP) to ensure that we can continue to serve the credit needs of our customers and the community in these uncertain economic times.

Why would the Bank need additional capital in order to continue lending?

It is important for conservative banks like Peoples Bank to increase the amount of capital held as a percent of total assets, essentially backing more of the loans made with capital rather than customer deposits or other borrowed funds. An increased equity stake whether by a business, an individual or a bank as a percent of an assets value is a more conservative approach and prudent especially during times of economic uncertainty.

How much money is Peoples Bank receiving from the treasury?

The bank has accepted an \$18 million investment from the Treasury to be paid back at our discretion in three to ten years. Just like other preferred capital investments, during the term of the investment the bank will pay a dividend to the investor, in this case the US Treasury. The bank will pay a 5% after tax dividend annually during the initial term of the investment. If we hold this investment for five years, the Treasury will receive just under \$6,000,000 in dividends and warrants.

Is this a bailout?

This is not a bailout. The funds invested in community and regional banks under the Capital Purchase Program are intended to stimulate the local economy and provide incentive for continued lending. The CPP is investing in healthy banks with the capacity to lend, thus differentiating it from the custom bailout programs offered to some of the nation's largest banks.

Is Peoples doing well?

Peoples Bank is performing well. The bank continues to be profitable, well capitalized, and has few non-performing loans. See our current *Strong Numbers* information sheet for a summary of the bank's financial condition.

How will I know this money is being used for lending?

The bank is committed to providing credit for consumers, and small- and medium-sized business in the communities it serves. The bank could leverage this investment up to two to three times in the first year. This increased lending capacity puts up to an additional \$54 million in new loans into the local economy over the next twelve months.

Each quarter beginning March 31, the bank will post a summary of loans produced by type with its statement of condition, *Strong Numbers*, allowing customers and the community to see how we're putting the funds to use.

Message from the President:

"Peoples Bank is pleased to be approved under the Treasury's Capital Purchase Program. The Treasury has clearly indicated that it is only providing these funds to those regional and community banks that are well capitalized, well managed, and have the capacity to lend. This investment allows Peoples Bank to continue to extend credit to families and business in our communities during these uncertain economic times."

- Charles LeCocq, President and Chief Executive Officer

Peoples Bank
A higher level of service.