



## ANNUAL USE OF CAPITAL SURVEY - 2009

### NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Cascade Financial Corporation and Cascade Bank

Person to be contacted regarding this report:	Morris VanHorne
UST Sequence Number:	65
CPP Funds Received:	38,970,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Nov 21, 2008
Date Repaid <sup>1</sup> :	N/A

RSSD: (For Bank Holding Companies)	2568362
Holding Company Docket Number: (For Thrift Holding Companies)	N/A
FDIC Certificate Number: (For Depository Institutions)	28823
City:	Everett
State:	Washington

<sup>1</sup>If 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.	Total Loans 12/31/2008 \$1,258 million Total Loans 12/31/2009 \$ 1,203 million Lending reduced less than other wise would have occurred.
<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.).	Increased residential mortgage loans through Cascade's Builder loan program to qualified borrowers on single family fixed rate mortgages. 12/31/2009 balances were \$53.8 million in this new program.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	N/A

<input checked="" type="checkbox"/>	Make other investments	Opened new branch office in Edmonds, WA
<input type="checkbox"/>	Increase reserves for non-performing assets	N/A
<input type="checkbox"/>	Reduce borrowings	N/A
<input type="checkbox"/>	Increase charge-offs	N/A
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	N/A
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Maintain higher well capitalized capital ratios. Without TARP the bank would have needed to reduce assets to maintain "well capitalized ratios".

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

The bank's operations have benefited from TARP funding. The bank would have to have been restructured to maintain the targeted risk based capital ratio. Asset size would have been reduced by over \$200 million (as of September 30, 2009).

This reduction would have not only impacted the bank, but also adversely affected the communities we serve due to reduced lending. Cascade Bank, with TARP funds, is serving the objectives of the Program, providing financing opportunities for credit-worthy borrowers in the communities we serve.

TARP funds have provided the Bank with sufficient capital to provide modifications and other forbearance strategies to assist businesses during these challenging economic times. Currently the Bank is working on re-payment plans for a number of our customers and where possible we have resisted taking any formal legal actions against the guarantors or the collateral securing our loans. Instead, we continue to work with our customers to provide long term solutions to their business challenges.

In addition, TARP has benefited the bank by allowing the bank to maintain capital ratios that are classified as well capitalized by our regulators.

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

Cascade continues to work diligently to meet the credit needs of its community. As a participant in the U.S. Treasury's Capital Purchase Program, Cascade has increased its focus on residential lending as it works to strengthen the health of the housing market.

Single family mortgage lending volumes increased significantly over those of 2008. The bank's mortgage lending mix of refinance and purchase transactions moved to heavier volumes of purchase loan transactions. The percentages of funded loans in low- and moderate- income geographies (27.4%) were higher than the actual percentage of the census tracts (22.9%) in those areas. Funded loans to low and moderate income borrowers have increased significantly over prior years, due primarily to the bank's Builder Purchase Program. The bank's new Builder Purchase program provides flexible and innovative financing to homebuyers purchasing properties built by contractors with speculative construction loans at Cascade Bank. The program provides financing at below market rates, has an affordable minimum down payment of three and one half percent, and does not require private mortgage insurance (PMI). Cascade Bank's CRA reportable mortgage loan applications in 2009 were significantly higher than the number of loan applications in prior years, primarily due to the bank's Builder Sales Program. The bank's Builder Sales Program is moving low- and moderate-income borrowers into middle income census tracts. The focus of the bank's strategic plan for mortgage lending is to provide consumer loans to our existing customer base as well as others in our community.

Additionally, in fulfillment of the intent of the Stimulus Bill, Cascade Bank is working with homeowners to prevent foreclosures. During 2009 Cascade worked with borrowers and did not foreclosure on any owner occupied single family or multi-family residential properties.

The TARP capital has also allowed the Bank to provide our builders and developers with funding to complete projects and to allow for the orderly liquidation of high risk loans. This has mitigated losses to the Bank and lessened the risk to the deposit insurance fund.

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



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.