



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Puget Sound Bank

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|---|-------------------|
| Person to be contacted regarding this report: | Philip Mitterling |
| UST Sequence Number: | 424 |
| CPP Funds Received: | 4,500,000 |
| CPP Funds Repaid to Date: | 0 |
| Date Funded (first funding): | Jan 16, 2009 |
| Date Repaid ¹ : | N/A |

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| RSSD: (For Bank Holding Companies) | |
| Holding Company Docket Number: (For Thrift Holding Companies) | |
| FDIC Certificate Number: (For Depository Institutions) | 57955 |
| City: | Bellevue |
| State: | Washington |

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). 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).

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| <input checked="" type="checkbox"/> | Increase lending or reduce lending less than otherwise would have occurred. | The bank increased loans by 2% or \$3 MM since taking CPP capital through the end of 2009. |
| <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.). | The increase in loans was driven by an increase of \$6MM in loans to small businesses (C&I), offset somewhat by reductions in commercial real estate loans. |
| <input type="checkbox"/> | Increase securities purchased (ABS, MBS, etc.). | |

| | | |
|-------------------------------------|--|---|
| <input checked="" type="checkbox"/> | Make other investments | The bank increased its balance in its Federal Reserve account, in part, due to the CPP capital. |
| <input type="checkbox"/> | Increase reserves for non-performing assets | |
| <input checked="" type="checkbox"/> | Reduce borrowings | The bank eliminated its reliance on non-core deposits from the State of Washington. |
| <input type="checkbox"/> | Increase charge-offs | |
| <input type="checkbox"/> | Purchase another financial institution or purchase assets from another financial institution | |
| <input type="checkbox"/> | Held as non-leveraged increase to total capital | |

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

None

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

The bank's plans for growth were less constrained and were assisted by the increase in capital as assets grew 19% in 2009.

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

None

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.