

# COMMONLY ASKED QUESTIONS

## LOCALLY OWNED

*Q. What is Bluegrass Community Bank (In Organization)?*

**A.** Bluegrass Community Bank (IO) is a locally-owned bank that will specialize in delivering customer-focused banking services, such as deposit and loan products, to individuals, professionals, and businesses in the Danville area. The Bank will not attempt to cater to the mass-market, nor compete directly with the large major/regional banks. Instead, it will concentrate on providing responsive services and appropriate products to the discerning clients who appreciate and demand individual attention.

## SAFETY AND SOUNDNESS

*Q. Isn't banking risky these days?*

**A.** Although the current economic environment would seem to suggest that banking is a risky venture, bank capital levels are sitting at historic highs, and de novo banking activity remains vigorous because de novo banks play an important role in preserving competition in the market, providing credit to small businesses and promoting entrepreneurial spirit. In fact, since 2006 164 de novos filed applications to raise a total of \$1,866,477,000 in capital or an average of \$11,380,775 per bank (SNL Financial), with an additional 147 institutions opening in 2007. These institutions, like all de novos are closely monitored by the FDIC to ensure they provide sound services and products to their clients, which further enhances the banking industry's ability to sustain itself. It is this careful monitoring that has led FDIC-insured institutions to ride a string of six consecutive years of record earnings.

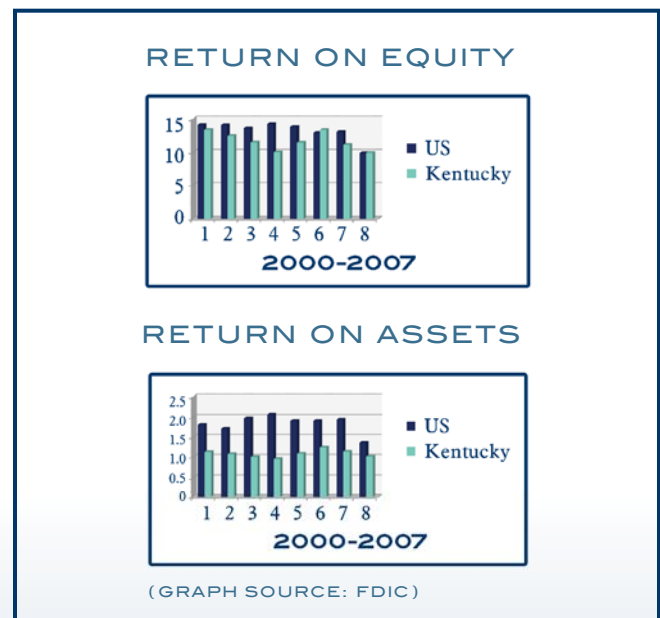
*Q. Are the bank's deposits covered by the FDIC?*

**A.** Yes, the bank will be a state chartered institution and the FDIC will insure deposits.

## THE MARKET

*Q. How are Kentucky Banks doing now?*

**A.** The charts shown below titled "Return on Equity" and "Return on Assets" document the returns in those key, operating ratios for the past eight years.



*Q. Why another bank in the Danville area?*

**A.** First, Bluegrass Community Bank (IO) will not be just "another bank." It will be primarily owned by local shareholders and will be managed by local decision-makers. Further, the organizers and directors are successful individuals with strong community ties who are familiar with the market and able to respond quickly to its needs.

Second, the larger banks currently serving the region are encumbered with operating policies that are state-wide in nature. These factors, plus others, make it difficult for these larger financial institutions to effectively respond to the needs of the local market. With the pace of mergers and consolidations, it does not appear that this situation is likely to improve any time soon.

Finally, the local economy has not struggled as much as the rest of the state during the past several years creating opportunities for new financial service providers to serve this changing market. All these factors combine to make the Danville area a viable market for a well-managed community bank.

## MEETING A NEED

*Q. Can a new community bank really become successful today?*

**A.** Three factors make a community bank successful: the organizers and directors, the management team, and the market. Our organizers and directors are comprised of successful people who know the area well and understand the needs of this market. In addition, an experienced professional management team has been assembled that will safely and profitably guide the organization. As stated previously, the Danville market is more stable and expanding in certain market segments. The combination of these elements, properly orchestrated, will enable the bank to effectively serve the needs of the market and, therefore, enhance shareholder value.

*Q. Is there really a need for this kind of bank?*

**A.** Absolutely. Community banks play a significant role in fostering and promoting economic vitality in communities throughout the country. As the national and regional banks grow, merge and consolidate, they become further out of touch with the needs of the local business and professional person. They tend to focus their attention on higher margin transactions and become more formulaic and impersonal in the process. This creates an opening for a community bank like ours, because it is locally managed, highly adaptive and therefore ideally positioned to meet the needs of the community.

## COMMON STOCK OWNERSHIP

*Q. How will you capitalize the new bank?*

**A.** Common stock will be issued to individuals who purchase shares in the Bank. The bank is authorized to sell a minimum of 900,000 shares and a maximum of 1,100,000 shares at \$10.00 per share. The proceeds will be used to capitalize the bank at a minimum level of \$9 million and maximum of \$11 million. The general public is being offered the stock on a first-come first-serve basis.

*Q. What happens if I want to sell my stock after the bank opens?*

**A.** The bank will act as a market maker for the bank once it is opened. Should you wish to sell or purchase additional shares in the bank once it is opened, you can contact the bank's representative, Doug Ayers, at P.O. Box 289, Danville, KY 40423.

*Q. What determines the stock price of community banks?*

**A.** Like all stocks, prices are subject to general market conditions, and factors such as how well the bank is managed and the expectation for current and future earnings.

*Q. When will the bank start paying dividends?*

**A.** The board of Directors of the Bank intends to retain earnings to promote growth and build capital and recover any losses incurred during prior periods. Accordingly, we do not expect to pay dividends to our shareholders in the foreseeable future. On the other hand, stock dividends are a more common method of rewarding the investor during the formative years of a bank. The bank's dividend policy will be established after the bank opens and will be in keeping with sound industry practice and approved by regulatory agencies. ■