

CPP ANNUAL USE OF CAPITAL SURVEY - 2010

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Alaska Pacific Bancshares, Inc.

Person to be contacted regarding this report:	Craig E. Dahl	RSSD: (For Bank Holding Companies)	983372
UST Sequence Number:	644	Holding Company Docket Number: (For Thrift Holding Companies)	H3440
CPP/CDCI Funds Received:	4,781,000	FDIC Certificate Number: (For Depository Institutions)	29849
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Feb 6, 2009	City:	Juneau
Date Repaid ¹ :	N/A	State:	Alaska

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).

<input type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	APB made \$20.8 mm in 2010 of new-money commercial, consumer and construction loans compared to \$28.5mm in '09 a decrease of \$11 mm, but based on market demand.
<input 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.).	SFR loans were \$ 30.7 million in 2010 compared to \$46.2 million in 2009 for a decrease of \$15.5 million, based on market demand. A majority of the bank's production is sold to either Freddie Mac or Alaska Housing Finance Corp (AHFC).
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The bank did not purchase additional securities in 2010 or 2009

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	The bank initially increased reserves for non-performing assets with CPP funds but the total reserve has declined during 2010 as the out-of-market participation loans are charged-off, reserved for, or recovered.
<input type="checkbox"/>	Reduce borrowings	In 2010, declining loan balances created additional liquidity to eliminate borrowings.
<input type="checkbox"/>	Increase charge-offs	CPP funds continued to allow the bank to maintain capital ratios above required levels while addressing charge offs associated with a group of out-of-market C&D participation loans. Net charge offs: \$1.1 million in 2010 compared to \$3.8 million in 2009.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	N/A
<input type="checkbox"/>	Held as non-leveraged increase to total capital	N/A

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

The bank continued to lend in all portfolios limited only by market demand. The CPP funds, in addition to earnings during 2010, allowed the bank's lending limit to remain at a level to meet traditional market demands for our institution. The bank was awarded the SBA's "Community Lender of the Year" for fourth consecutive year for our small business lending activity in Southeast Alaska. The infusion of CPP funds allowed further regulatory restrictions and allowed the lending programs to function as normal as possible.

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

The bank did not engage in any new business lines or expansion activities, focusing on its core business activities until such time as all conditions improve.

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