CPP **ANNUAL USE OF CAPITAL SURVEY - 2010**

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Capital Pacific Bancorp (Capital Pacific Bank)

Person to be contacted regarding this report:	Felice Belfiore	RSSD: (For Bank Holding Companies)	3589702
UST Sequence Number:	64	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	4,000,000	FDIC Certificate Number: (For Depository Institutions)	57562
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Dec 23, 2008	City:	Portland
Date Repaid[1]:	N/A	State:	Oregon

[1]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) 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).

☒	Increase lending or reduce lending less than otherwise would have occurred.	The CPP capital was used to support ongoing lending activities. Without the CPP capital, the Company would mostly likely have curtailed its lending programs beyond the natural contraction that occurs during periods of economic recession.
☒	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.).	At 12.31.10, the Company's loan mix was 30% commercial loans, 65% commercial mortgage loans and 5% other.
☐	Increase securities purchased (ABS, MBS, etc.).	

☐	Make other investments	
☒	Increase reserves for non-performing assets	The CPP capital was a second line of defense in the event that common equity was not sufficient to absorb losses realized on the orderly resolution of non-performing assets and sale of foreclosed commercial property. This ultimately proved unnecessary due to improving financial performance.
☐	Reduce borrowings	
☐	Increase charge-offs	
☐	Purchase another financial institution or purchase assets from another financial institution	
☒	Held as non-leveraged increase to total capital	The CPP capital was used to increase the Company's regulatory capital ratios well above what was historically considered well capitalized. The Company felt this conservative posture was appropriate given existing concern about the severity and duration of the economic recession.

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

The increase in capital preemptively strengthened our balance sheet in preparation for what ultimately became one of the more severe recessions in the country's history.

Without the CPP funds, the Company most likely would have been required to raise new capital in order to avoid regulatory enforcement action. Raising defensive capital in this market has proven to be very challenging for all community banks and is typically very costly to shareholders.

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

The Company is a long-standing business partner to local non-profits, retailers, schools, small manufacturing and professional services ("business clients"), all of whom support the local economy. Business clients are approximately 85% of our client base. Collectively, the Company has roughly 300 business clients, of which two thirds are borrowers.

The increase in capital has allowed the Company to continue to lend money to our business clients. In 2010, the Company originated $25.3 million in new loans and renewed $36.9 million in maturing loans. Excluding declines in construction lending and loans charged-off or migrated to other real estate owned, the loan portfolio grew by approximately $10 million, or 7% for the year.

In addition, the CPP funds provided the Company with the financial flexibility and time to expeditiously work through, advance and strengthen the Company's position on troubled loans experiencing varying degrees of difficulty. This includes the final resolution of $6 million in non-performing assets. As a result, the Company began 2011 with a stronger financial profile and diminished risk of future credit losses.

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