AMERICAN PACIFIC BANK

1992
ANNUAL REPORT

TO OUR SHAREHOLDERS AND FRIENDS

1992 was a milestone in American Pacific Bank's history. We began the year with one overriding goal: sustained, growing profitability. In this report you will see that we met this goal. And with management and products in place for continued growth in 1993, we look forward to another record year.

1992 brought us record profits. Net income was $121,118, or $0.05 per share.

Total assets reached $38 million, up 76% from the end of 1991. Deposits increased 74% to $34.6 million and total loans grew 123% to $30.7 million.

HIGH LOAN QUALITY

The major concern shared by all investors is loan losses. In 1992, we reported no net loan charge offs. This ranks us among the top banks in our market.

We maintain uncommonly strict underwriting standards in all areas of our lending. In the real estate area, our loan to value and loan to cost requirements continue to be among the most stringent in our market.

In the consumer area, we focus on our nationwide credit card program, from which we offer only accounts that are fully secured by cash deposits with our bank.

OUTSTANDING PROGRAMS

Our secured and guaranteed credit card programs helped fuel our growth during 1992 from $5.7 million in receivables at the end of last year, to $17.6 million in receivables at the end of this year. With the only accounts we now accept fully secured by deposits, we not only control our credit risk, but we support the bank's continued strong liquidity.

Construction lending continues to be an outstanding performer. We have expanded our residential lending into limited commercial projects, observing the same high underwriting standards. 1993 will see continued growth in our market, and we are positioned to take advantage of the opportunities.

One branch of our real estate business will see significant growth in 1993. Through a team of loan representatives we place residential financing with other long-term lenders nationwide. During 1992 we placed more than $35 million in loans, resulting in significant fee income for the bank. In 1993, we will use our resources to book some of these loans in our own bank, for immediate resale into the secondary market. This will allow us to offer an even wider array of services to our customers while significantly increasing fee and interest income.

MANAGING INTEREST MARGINS

A key indicator of a bank's ability to be profitable is its net interest margin - the most common and useful measure of the difference between our loan income and our cost of funds.

In 1992 many banks benefitted from falling interest rates, adjusting their deposit rates more quickly than rates charged on their loans. Thus we were not alone in posting a strong net interest margin this year. At 5.21%, we are well placed in our peer group.

However, our outstanding net interest margin is anything but a historical accident. Year in and year out, our management has reacted quickly to the changing marketplace, always maintaining net interest margins at or above the industry norm.

GIVING CREDIT WHERE IT IS DUE

The hard work of our people brought us this record year, and all of them - staff and management - deserve to be recognized for their efforts.

The loyalty of our depositors and borrowers has sustained our growth. We are in a competitive business, and we are grateful that our dedication to service has been rewarded with a stable customer base.

Finally, we thank our shareholders, many of whom invested in us long before we showed even the earliest signs of success. We are in business for one principal reason: that is to provide the greatest possible return on our shareholders' investment. We pledge to continue to do all in our power to meet your expectations.

Fai H. Chan
Chairman

SELECTED FINANCIAL INFORMATION

(In thousands, except for per share data)

RESULTS OF OPERATIONS	**1992**	**1991**	**1990**
Interest Income	2,859	1,382	1,193
Interest Expense	1,288	611	570
Net Interest Income	1,571	772	623
Provision for Loan Losses	96	104	(19)
Other Income	440	352	164
Other Expenses	1,793	1,120	859
Income Before Income Taxes	121	(101)	(54)
Income Taxes	—	—	—
Net Income	121	(101)	(54)
PER SHARE DATA			
Net Income Per Share	0.05	(0.13)	(0.10)
Book Value Per Share	1.16	1.51	2.50
BALANCES AT YEAR END			
Total Assets	38,311	21,685	10,620
Loans, Net of Unearned Fees	30,700	13,714	7,894
Total Deposits	34,671	19,859	9,570
Long Term Obligations	—	—	—
Shareholders' Equity	2,581	1,624	1,398
SELECTED STATISTICS			
Return on Average Assets	0.41	(0.47)	(0.51)
Return on Average Equity	5.56	(6.21)	(5.40)
Average Equity to Average Assets	7.34	8.27	9.21
Net Interest Margin	5.21	6.70	5.84
Interest Income to Average Earning Assets	10.26	11.99	12.88
Non-accrual Loans 90+ Days to Average Assets	0.0059	0.0046	0.025

AMERICAN PACIFIC'S BUSINESS

CURRENT BUSINESS

American Pacific focuses on limited areas of business in which the risks can be carefully managed. Our two largest lines of business are real estate finance and secured credit cards.

REAL ESTATE FINANCE

From our Portland real estate finance office we offer three discrete real estate services.

• RESIDENTIAL CONSTRUCTION LENDING

These loans range in size from $75,000 to $500,000 and generally they carry six to nine month terms.

The total portfolio is $11 million, with at least 70% for "pre-sold" homes. Pre-sold homes are those for which the builder has found a buyer and for which the buyer has obtained a commitment for permanent financing.

Our policy is that at least 70% of our construction loans must be pre-sold.

Our construction loan portfolio comprises 35.1% of our total loan portfolio. Revenue from construction lending accounts for 42% of the bank's total revenues.

• PERMANENT LOAN BROKERING

We broker permanent residential loans. Our loan representatives arrange through various marketing sources to place permanent loans with institutional lenders.

These loans are not booked by us, but we earn loan fees for each loan that is closed.

In 1992 we placed more than $35,000,000 in residential mortgage loans.

Revenue from brokering activities comprises 11.7% of our total revenue.

• COMMERCIAL REAL ESTATE FINANCE

We make commercial real estate construction loans and we place the permanent loans.

Permanent financing is in place before we make the construction loan. In all cases, we arrange the permanent financing with another lender.

Usually we retain a small percentage ownership of the permanent loan, along with the servicing and related fees.

This is a relatively recent addition to our real estate services. It is managed by a commercial real estate lending officer with more than 25 years of experience in the Portland market. This program is expected to be an important source of revenue for us in future years.

• MANAGING REAL ESTATE RISKS AND OPPORTUNITIES

Our construction loans are short-term, with loan to value and loan to cost ratios that are more conservative than those observed by most other lenders.

More than 70% of our residential construction loans are pre-sold, with purchasers and permanent financing in place before we lend our construction funds.

For all our commercial construction loans, permanent financing is in place before we lend our construction funds.

We make no permanent loans for residential real estate.

We make no permanent loans for commercial real estate, except to the extent we retain a 10% interest in selected permanent loans following completion of construction that we have financed.

AMERICAN PACIFIC'S BUSINESS

CREDIT CARD LENDING

We offer secured credit cards on a nationwide basis.

The cards are marketed and serviced through a recognized third party vendor, which also guarantees a specified rate of return to the bank.

With secured credit cards, the account holder deposits funds with us in an amount equal to the credit limit of the account.

The deposits secure the payment of the credit card balances. The deposits provide significant protection against losses that is in addition to the protection offered by the guarantee of the third party vendor that markets and services the accounts for us.

Secured accounts comprise 23.2% of our loan portfolio. Revenue from these accounts and related products comprises 14.5% of our total revenues.

• MANAGING CREDIT CARD RISKS AND OPPORTUNITIES

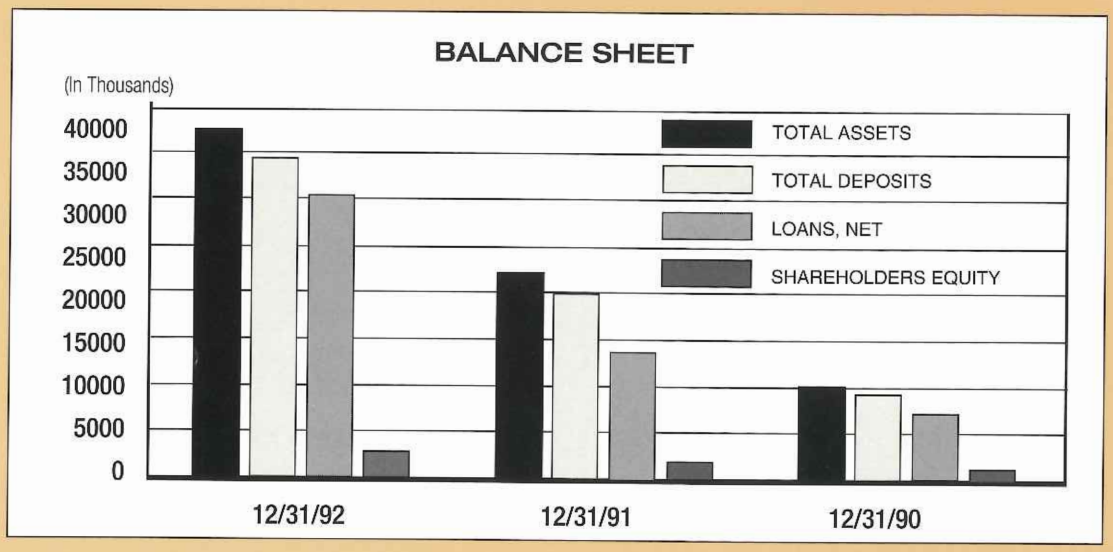
Our secured cards are backed by cash deposits with us in amounts equal to the maximum credit limit, and payment of the balance is guaranteed by the independent service organization we have retained.

The national average for losses on credit card portfolios is approximately 5%. With the level of security we have obtained, we have substantially reduced the risk of loss associated with defaulted accounts.

Some of our credit card portfolio includes guaranteed cards. These accounts initially are backed by deposits equal to approximately 25% of the credit limits, and they are guaranteed by a third party. In 1992, we ceased taking on new guaranteed accounts. Although guaranteed accounts offer an excellent return with comparatively low credit risk, we chose to limit the growth of our credit card portfolio to ensure that it does not comprise an unacceptably large percentage of our total assets.

We do not offer unsecured credit cards except on a limited basis to selected customers in our local market, under a plan sponsored by a major banking trade organization.

The following chart graphically demonstrates the key elements of our financial performance.



FUTURE BUSINESS PRODUCTS AND SERVICES

In 1993, we will build on the strengths of our past performance. We will maintain our focus on narrowly defined products for which the risk can be carefully managed and for which there are established primary and secondary markets.

For our retail customers, we will expand our permanent residential loan business. In 1992, we placed more than $35 million in residential mortgages. In 1993, we plan to book some of these loans ourselves and then place them in the secondary market. This will substantially increase our fee and interest income without significantly increasing our expense or credit risk, and without any necessary increase in market share.

As an additional benefit to our retail borrowers, we will offer services that complement their loans. For example, we will make available insurance products through a third party vendor, helping our borrowers meet their financial needs and adding to our fee income.

For our commercial customers, we plan, with the injection of additional capital, to expand into the Portland market and offer Small Business Administration (SBA) loans, Capital Access Loans and similar loans that support our community and for which there is an established secondary market.

We also will continue to expand our services in the areas of commercial real estate construction and permanent lending.

In the part of our market that is outside Portland, there is a great need for agricultural financing. We are exploring ways to use our presence in these communities to originate agricultural loans for the accounts of permanent agricultural lenders nationwide. With an approach similar to our current mortgage brokering operation, we see an opportunity for significant fee income, minimal credit risk and substantial benefits to our community.

As we grow and the requirements of our clientele change, we expect to offer the following services, directly or through qualified third party vendors:

- Trust Services
- Private Banking
- Investment Banking Services
- Management Consulting

Our assets grew in 1992 by 76%. Growth came from the development of narrowly defined products and careful management of risk. In 1993, our growth will continue by following the same strategy with current products and selected new products. We will not lose sight of the market we serve and the clearly defined products we offer.

COMMON STOCK TRADING INFORMATION

Fiscal Year Ended Dec. 31, 1992	High	Low
Fourth Quarter	$2.37	$2.12
Third Quarter	2.50	2.50
Second Quarter	3.12	2.67
First Quarter	3.25	3.00

Fiscal Year Ended Dec. 31, 1991	High	Low
Fourth Quarter	$3.50	$2.75
Third Quarter	5.00	4.13
Second Quarter	3.00	2.88
First Quarter	0.75	0.63

NASDAQ Trading Symbol: AMPBA

BOARD OF DIRECTORS AND CORPORATE DIRECTORY

BOARD OF DIRECTORS

Fai H. Chan
Chairman
David T. Chen
Richard Y. Cheong
Francis L. Hendricks
Eng L. Khoo, M.D.*
Alexander B. Korelin

AUDITORS

Moss Adams

CORPORATE COUNSEL

Foster Pepper & Shefelman

PRINCIPAL OFFICERS

Fai H. Chan**
Chief Executive Officer
David T. Chen***
Chief Executive Officer
John H. Holloway
President
Richard G. Woolley
Executive Vice President, Chief Operating Officer
Richard Y. Cheong
Vice President, Chief Financial Officer
John La Plante
Vice President, Real Estate Division

* *Nominated in 1992*
** *Through March 31, 1993*
*** *Nominated in 1993*

MARKET MAKERS

Emanuel & Company
Troster Singer Corp.
Paragon Capital Corp.
Josephthal Lyon & Ross
Herzog, Heine, Geduld, Inc.
Wm. V. Frankel & Co., Inc.
Reynolds Kendrick Stratton, Inc.
A.T. Brod & Co., Inc.
National Securities Corporation
Ernst & Company
Mayer & Schweitzer, Inc.
NASDAQ Trading Symbol: AMPBA

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