American Pacific Bank

1993 Annual Report

SELECTED FINANCIAL INFORMATION

(In thousands, except for per share data)

	1993	1992
RESULTS OF OPERATIONS		
Interest Income	$ 3,874	$ 2,859
Interest Expense	1,670	1,288
Net Interest Income	2,204	1,571
Provision for Loan Losses	277	96
Other Income	443	439
Other Expenses	2,319	1,793
Income Before Income Taxes	51	121
Income Taxes	—	—
Net Income	51	121
PER SHARE DATA		
Net Income Per Share	0.02	0.05
Book Value Per Share	1.08	1.04
BALANCES AT YEAR END		
Total Assets	47,508	38,311
Loans, Net of Unearned Fees	30,150	30,700
Total Deposits	43,774	34,671
Long Term Obligations	—	—
Shareholders' Equity	3,188	2,581
SELECTED STATISTICS (IN PERCENTAGES)		
Return on Average Assets	0.11	0.41
Return on Average Equity	1.95	5.56
Average Equity to Average Assets	5.55	7.34
Net Interest Margin	6.00	5.21
Interest Income to Average Earning Assets	9.57	10.32
Non-accrual Loans 90+ Days to Average Assets	0.0046	0.0059

American Pacific Bank

INTRODUCTION

Under the capable and conservative leadership of both senior management and the Board of Directors, American Pacific Bank is continuing to evolve from its beginnings as a small community bank into an institution with the strength to have a major impact in the financial community within the Pacific Rim.

American Pacific Bank was organized and continues to operate under the laws of the state of Oregon. The Bank is a member of the Federal Reserve Bank of San Francisco, and all deposits are insured by the Federal Deposit Insurance Corporation.
American Pacific Bank stock has been traded on NASDAQ (Symbol AMPBA) since 1989.

American Pacific was formed in 1979 to provide banking services to the rural communities of Aumsville and Mill City, Oregon.
Since that time, the scope of the Bank has increased to not only satisfy the needs of the people where it originated, but to also provide real estate, commercial and personal lending services throughout Oregon and Southwest Washington.
Executive offices, including a full service loan department, have been established in the financial district of Portland.

Today, the Bank has a reputation of providing personal and efficient service to customers living throughout Oregon and Southwest Washington in the areas of construction lending, commercial loans, permanent mortgages, business financing, and consumer loans. American Pacific Bank's future will continue to be characterized by continued growth and success.

CHAIRMAN'S MESSAGE

"We are in business for two principal reasons: to grant the best service to our customers and to provide the greatest possible return on our shareholders' investments."

Dear Shareholders and Friends:

1993 was a year of profitability, growth and, in a sense, transition for American Pacific Bank. Early in January, we embarked upon a new direction - one which is building upon our past successes and one which I believe, leads to a position of future profitability not just in Oregon, but in the entire Pacific Rim.

To help me, the Board of Directors, and the Bank's staff accomplish this, in early Spring I announced the appointment of Mr. David Chen as President and Chief Executive Officer.

David Chen brings to our Bank a wealth of financial experience from both the public and private sectors. The success which he has achieved during his career has made him well known and respected locally and nationally. Under the administrations of President Bush and President Reagan, he served as National Associate Administrator of the Farmers Home Administration in Washington, D.C. On the regional level, as the agency's Oregon State Director. Prior to this, as a Finance Director, he had complete fiscal responsibility for various municipalities located throughout the United States.

Results of the year have confirmed the leadership ability of David Chen; the expertise of the executive management team; and the effective counsel of the Board of Directors in guiding the Bank to both growth and profitability.

I am proud to say that during 1993, in spite of a major charge-off, the Bank remained profitable and grew. Interest income increased by almost 33%; total assets and shareholders' equity increased by 25%; and the book value per share rose.

The staff and management of American Pacific Bank are proud of its long tradition of service. I encourage you to review this special report, which looks at both our beginnings and future directions.

We are in business for two principal reasons, to grant the best service to our customers and to provide the greatest possible return on our shareholders' investments. I pledge to continue to do all in my power to meet these expectations.

Thank you for your continuing interest and support.

Fai H. Chan
Chairman

PRESIDENT'S MESSAGE

Dear Shareholders and Friends:

When Chairman Fai Chan and the Board of Directors approached me late in 1992 and presented the opportunity to join American Pacific Bank, I was flattered and filled with a sense of both opportunity and challenge.

I appreciated the confidence which the Chairman and the Board had in my abilities, and after careful consideration, I decided to accept the offer to become part of the management team.

I believe that American Pacific Bank will shortly become an important part of the Pacific Rim's financial community. It would be unwise to think that we could assume the size of the giants in our industry; however, that is not our mandate. Our mission is to fill a very important niche within the industry – a niche that is taken up by the small yet highly profitable "boutique institutions" which provide service that is both high in quality and completely personal. My philosophy is that each of our customers must be treated as an important individual and not as just a number within the system.

The challenge that I envision for myself and the Bank is twofold.

First and foremost, American Pacific Bank has to be positioned among the top performing banks in the Northwest. The significant improvement that occurred during 1993, indicates that we will attain that status in the near future.

Secondly, once our foundation has been solidified in Oregon, I believe that we must offer our services to customers living throughout the Pacific Rim who demand sophistication and qualityin their banking relationships. Since the Directors and senior management have contacts throughout this region and are comfortable doing business with them, I foresee success in this phase of the Bank's evolution.

I see a promising future for American Pacific Bank. All of the pieces are there to allow us to fill an important position within the international financial community. It is very exciting for me to be a part of this unique opportunity.

I look forward to a promising future for American Pacific Bank, its shareholders and customers.

David T. Chen

David T. Chen
President and Chief Executive Officer

"Our mission is to fill a very important niche within the industry – a niche that is taken up by the small, yet highly profitable, "boutique institutions" which provide service that is both high in quality and completely personal".

AMERICAN PACIFIC BANK
BOARD OF DIRECTORS & MANAGEMENT

The Board of Directors and management of American Pacific Bank is comprised of the following persons, all of whom are eminently qualified in their individual areas of responsibility. The multi-cultural nature of this group brings a unique and effective perspective to the Bank's daily operations and its long term strategies. Unlike most financial institutions, the Board Members of American Pacific Bank and members of senior management are active and well known not only in the local communities, but also in the business and political environments of the Far East.

BOARD OF DIRECTORS

Fai H. Chan: *Chairman of the Board*

Raised in Hong Kong, where he was educated at St. Joseph College, Mr. Chan moved to England and graduated from Northwestern Polytechnic with a degree in business management and commerce. He entered the financial community as an investment banker and eventually became the principal in a Hong Kong based securities firm.

Mr. Chan became Chairman of American Pacific Bank in 1987 when it was still called Santiam Valley Bank and on the verge of failure. He assembled a completely new management team and immediately began a restructuring process. That process has evolved to the point where today the Bank's assets have grown from $9 million to well over $50 million; the significant loss position of 1986 has turned into a profit; and, the securities trade within the NASDAQ system.

Mr. Chan is equally at home in the business world of the United States, Canada, Europe, and the Far East. He brings invaluable expertise on an international level to American Pacific Bank.

David T. Chen : *President, Chief Executive Officer and Member of the Board of Directors*

Mr. Chen began his career with the National Bank of Commerce (later called Ranier Bank) in Seattle, Washington in 1966. In 1970, he entered the public sector serving as the Finance Director for various municipalities. The most recent of these was the city of Beaverton, Oregon where he was directly responsible for managing that city's $60 million annual budget. He was appointed by President Reagan's administration to an administrative post within the Farmers Home Administration of the U.S. Department of Agriculture in 1985, and assumed the position of Oregon State Director. Under the administration of President Bush, he was elevated to the position of Associate Administrator in Washington, D.C. In that capacity he assisted the Administrator in managing the Federal Government's chief agriculture and rural development agency, with more than 12,000 employees, 2,200 field offices nationwide and a loan portfolio exceeding $50 billion, with an annual budget of approximately $10 billion.

Mr. Chen received his Master of Arts in Political Science from the University of Oregon, his Bachelor of Arts in Mathematics from the University of Washington, and a Bachelor of Arts in Public Administration from the Taiwan National Chung Hsing University. In addition to his responsibilities with the Bank, Mr. Chen is active in the Portland community where he serves on the Board of Directors of both The Loaves and Fishes Foundation and United Way.

Richard Y. Cheong: *Senior Vice President, Chief Financial Officer and Member of the Board of Directors*

Mr. Cheong began his career with Arthur Andersen & Company in 1985, as a member of the Management Information Consulting Division. In that capacity, he successfully managed complex systems development projects. His responsibilities included preparation and implementation of the projects, in addition to supervision of the staff assigned to the undertaking. Prior to joining the bank, Mr. Cheong was an investment manager with a Japanese real estate syndication company for two years.

He joined the bank in 1991 and has since been elevated to his present position. As Senior Vice President, Mr. Cheong's responsibilities include both supervision of all personnel and accountability for all financial and accounting aspects of the Bank.

Mr. Cheong holds a Masters of Business Administration in Finance from the University of Oregon and a Bachelor of Arts in Finance also from the University of Oregon. He is active in the local community as a member of the World Affairs Council and the Oregon Northwest China Council.

Dr. Eng Lock Khoo: *Member of the Board of Directors*

Dr. Khoo is a surgeon of internal medicine and cardiology, and is the former Chief of Staff of Portland, Oregon's Woodland Park Hospital. He brings a unique blend of talents to the Board of Directors from both his scientific background and his extensive involvement in the area of relations between the United States, Japan and China.

Dr. Khoo is one of the leaders of Portland's Chinese Community. He has served as the President of the Chinese Consolidated Benevolent Association, and he was instrumental in the construction of the well known "Chinagate" which serves as the entrance to Portland's Chinatown. He is involved in Portland Rose Festival's popular Dragon Boat Races. Dr. Khoo was active in first introducing the Dragon

American Pacific Bank Board Members from left to right: Dr. Eng Lock Khoo, David T. Chen, Pai H. Chan, Francis H. Hendricks, Richard Y. Cheong, Alexander B. Korelin.

Boats to the Festival and Portland became the first U.S. city to sponsor this unique event.

As one of the Bank's outside directors, his input in the areas of both local and international business is invaluable.

Alexander B. Korelin: *Member of the Board of Directors*

Mr. Korelin has served on the Board of Directors since 1988. He has been involved in the financial community since receiving his MBA in International Trade and Finance from the University of Puget Sound. He has served as a consultant to large publicly traded companies, foreign based stock exchanges, and private businesses since founding his own firm in 1982. Because of Mr. Korelin's experience and education, he continues to provide the senior management of the Bank with valuable input regarding day to day operations and future objectives.

Mr. Korelin plays an active role in community affairs both in Portland, Oregon and Vancouver, Washington. He is the Chairman of the I-3 (Children's Immunization) Task Force in Vancouver and serves on the Board of Directors of the Rotary Club of Greater Clark County where he is also the President-Elect for 1996.

Francis H. Hendricks: *Member of the Board of Directors*

Mr. Hendricks is involved in the agricultural community in Aumsville, Oregon where he has lived all of his life. He is a past member of the Aumsville School Board where, during his tenure, he served on the Budget Committee for six years. He is also a member of the Wilco Farmers Group and the Sublimity Harvest Festival. He is currently a member of the Board of Directors of Santiam Memorial Hospital.

MANAGEMENT

David T. Chen : *President, Chief Executive Officer and Member of the Board of Directors*

Richard Y. Cheong: *Senior Vice President, Chief Financial Officer and Member of the Board of Directors*

David A. Christianson, Jr.: *Senior Vice President and Chief Credit Officer*
(Appointed March 28, 1994)

Mr. Christianson has over twenty-five years experience in banking, holding progressive positions as Department Head, Division Head and Senior Loan Officer. He has a strong background in both corporate and real estate lending. Most recently, he served as the Director of Corporate Banking and Senior Vice President of Barnett Bank of Marion County Florida. Prior to assuming that position, he was Senior Vice President of the Special Assets Department for Barnett Bank. In that capacity, he was responsible for all real estate and commercial loans which were classified substandard by the Bank. Reporting directly to the President, he directly handled negotiations and workout strategies for these loans. Mr. Christianson is a member of the American Bankers Association and has taught at the University of Oklahoma and Nova University of Ft. Lauderdale on the subject of commercial lending, and real estate lending.

YOUR MONEY AT WORK

Historically, American Pacific Bank has focused on areas of business in which the risks could be minimized through decisive management.

Currently, our two largest lines of business are real estate finance and secured credit cards. In 1993, the Bank has suffered no losses or charge offs in these two divisions.

Real Estate Division

In the real estate division, we operate in three areas: residential construction lending, permanent loan brokering and commercial real estate financing.

In the residential construction area, the Bank's policy is that 70% of the construction loans must be for homes which have the permanent mortgages already in place. These loans range in size from $75,000 to $760,000. 1993's loan commitments were for more than $13 million.

We currently broker all permanent residential loans and earn fees for each one that is closed. During 1993, we placed more than $30,000,000 in residential mortgage loans to lenders specializing in this field.

In the commercial division, we make construction loans. Permanent financing is in place before we make the loan and, in all cases, we arrange the permanent financing. Usually, we retain a small percentage ownership of the permanent loan, along with the servicing and related fees.
Approximately $7 million in loans were committed in 1993.

By year end 1993, these three real estate divisions had generated more than $1.8 million in income.

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 the beginning, in an amount equal to the credit limit of the account. Those 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.

In 1993, our portfolio (both secured and unsecured credit cards) totaled $25 million. More than 62,000 card holders nationwide generated over $65 million in transactions financed by the Bank.

The Future

As we grow, we plan to offer these additional services to our customers:

*** Direct Financing Involving Variable Rate Mortgages
*** Private Banking   *** Management Consulting
*** Trust Services   *** Investment Banking Services

Financing for single and multifamily housing.

Commercial financing includes shopping malls and motels.

Nationwide credit cards are available.

Agriculture loans include grass seed farming.

AMERICAN PACIFIC BANK

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 1993, 1992 and 1991

INDEPENDENT AUDITOR'S REPORT

MOSS-ADAMS

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
American Pacific Bank

We have audited the accompanying balance sheet of American Pacific Bank as of December 31, 1993, 1992 and 1991, and the related statements of operations, changes in stockholders' equity and cash flows for each of the three years ended December 31, 1993. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Pacific Bank as of December 31, 1993 and 1992, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

Moss Adams

Portland, Oregon
February 11, 1994

AMERICAN PACIFIC BANK BALANCE SHEET

YEAR ENDED DECEMBER 31

ASSETS	1993	1992
Cash and noninterest bearing balances due from depository institutions	$ 1,624,618	$ 1,566,806
Federal funds sold	9,420,000	875,000
Total cash and cash equivalents	11,044,618	2,441,806
Investment securities (market value 1993 - $4,937,578; 1992 - $3,861,659)	5,084,262	3,872,707
Loans, net of allowance for loan losses and unearned income	30,150,237	30,699,640
Land, office building, equipment and improvements, net	443,360	507,121
Other real estate owned	110,230	218,332
Accrued interest and other assets	675,401	571,058
	$47,508,108	$38,310,664

LIABILITIES AND STOCKHOLDERS' EQUITY	1993	1992
Deposits		
Noninterest bearing demand deposits	$ 1,452,785	$ 1,732,710
NOW and money market accounts	8,172,628	7,333,743
Savings and time deposits	34,148,761	25,604,329
	43,774,174	34,670,782
Securities sold under agreements to repurchase	-	500,000
Accrued interest and other liabilities	546,031	558,895
	44,320,205	35,729,677
Commitments and contingencies	-	-
Stockholders' equity		
Class A common stock, no par value; 200,000,000 shares authorized 2,956,521 shares issued and outstanding in 1993 (2,475,521 in 1992)	3,535,826	3,107,736
Common stock subscription receivable	-	(53,400)
Unearned compensation	-	(74,000)
Surplus	905,000	905,000
Accumulated deficit	(1,252,923)	(1,304,349)
	3,187,903	2,580,987
	$47,508,108	$38,310,664

The accompanying notes are an integral part of these financial statements.

AMERICAN PACIFIC BANK STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31

INTEREST INCOME	1993	1992	1991
Interest and fees on loans	$3,583,306	$2,554,888	$1,223,549
Interest on investment securities			
U.S. Treasury securities	–	–	25,711
Obligations of U.S. Government agencies	207,586	234,160	381
Other domestic taxable securities	13,540	10,190	5,539
Interest on federal funds sold	69,786	59,284	127,066
	3,874,218	2,858,522	1,382,246
INTEREST EXPENSE			
Interest on deposits	1,669,810	1,287,933	610,670
Net interest income	2,204,408	1,570,589	771,576
Provision for loan losses	277,139	95,850	104,110
Net interest income after provision for loan losses	1,927,269	1,474,739	667,466
NONINTEREST INCOME			
Loan charges and service fees	146,576	167,881	152,896
Real estate brokerage fees, net of commissions	233,364	259,939	121,176
Gain on the sale of securities	27,826	–	–
Other noninterest income	35,467	11,990	77,518
Total noninterest income	443,233	439,810	351,590
NONINTEREST EXPENSES			
Salaries and employee benefits	1,182,438	879,003	512,598
Occupancy and equipment expenses	275,939	181,479	116,240
Other operating expenses	860,699	732,949	491,299
Total noninterest expenses	2,319,076	1,793,431	1,120,317
NET INCOME (LOSS)	$ 51,426	$ 121,118	$ (101,261)
NET INCOME (LOSS) PER SHARE OF COMMON STOCK	$.02	$.05	$(.13)

AMERICAN PACIFIC BANK
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

COMMON STOCK	SHARES	AMOUNT	SUBSCRIBED AMOUNT	UNEARNED COMPENSATION	SURPLUS	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
BALANCE							
December 31, 1990	558,329	$1,398,150	$ -	$ -	$905,000	$(1,324,206)	$ 978,944
ISSUANCE OF COMMON STOCK:							
Private placement offering	150,000	114,000	-	-	-	-	114,000
Exercise of warrants	710,000	631,900	-	-	-	-	631,900
NET LOSS	-	-	-	-	-	(101,261)	(101,261)
BALANCE							
December 31, 1991	1,418,329	2,144,050	-	-	905,000	(1,425,467)	1,623,583
ISSUANCE OF COMMON STOCK:							
Exercise of warrants	934,344	831,566	(53,400)	-	-	-	778,166
Exercise of options	100,000	75,000	-	(74,000)	-	-	1,000
Public offering	22,848	57,120	-	-	-	-	57,120
Net income	-	-	-	-	-	121,118	121,118
BALANCE							
December 31, 1992	2,475,521	3,107,736	(53,400)	(74,000)	905,000	(1,304,349)	2,580,987
ISSUANCE OF COMMON STOCK:							
Exercise of warrants	481,000	428,090	53,400	-	-	-	481,490
RECOGNITION OF UNEARNED COMPENSATION	-	-	-	74,000	-	-	74,000
NET INCOME	-	-	-	-	-	51,426	51,426
BALANCE							
December 31, 1993	$2,956,521	$3,535,826	$ -	$ -	$905,000	$(1,252,923)	$3,187,903

AMERICAN PACIFIC BANK
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

	1993	1992	1991
CASH FLOWS RELATING TO OPERATING ACTIVITIES			
Net income (loss)	$ 51,426	$ 121,118	$ (101,261)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	67,636	44,783	31,009
Provision for loan losses	277,139	95,850	104,110
Gain on sale of securities	(27,826)	-	-
Gain on sale of other real estate owned	(4,764)	-	-
(Gain) loss on disposal of land and equipment	(10,379)	3,905	-
Write-down of other real estate owned	11,498	28,371	2,765
Change in cash due to changes in certain assets and liabilities:			
Decrease (increase) in accrued interest and other assets	(104,343)	15,576	(648,552)
Increase (decrease) in accrued interest and other liabilities	(512,864)	356,314	131,120
Net cash provided by (used in) operating activities	(252,477)	665,917	(480,809)
CASH FLOWS RELATING TO INVESTING ACTIVITIES			
Purchases of investment securities	(6,032,800)	(3,594,889)	(335,774)
Proceeds from the sale or maturity of investment securities	4,849,071	417,501	67,950
Net additions to loan principal	373,632	(17,085,036)	(5,968,630)
Purchase of building improvements, equipment and furniture	(23,099)	(134,745)	(45,797)
Recoveries of charged-off loans	-	3,121	45,008
Proceeds from sale of fixed assets	29,603	2,069	-
Net cash used in investing activities	(803,593)	(20,391,979)	(6,237,243)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Net increase in deposits	9,103,392	14,811,482	10,289,122
Securities sold under agreement to repurchase	-	500,000	-
Issuance of common stock	555,490	836,286	745,900
Net cash provided by financing activities	9,658,882	16,147,768	11,035,022
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,602,812	(3,578,294)	4,316,970
CASH AND CASH EQUIVALENTS, beginning of year	2,441,806	6,020,100	1,703,130
CASH AND CASH EQUIVALENTS, end of year	$11,044,618	$ 2,441,806	$ 6,020,100
SUPPLEMENTAL SCHEDULE OF CASH FLOWS INFORMATION			
Cash paid for interest	$ 1,436,617	$ 1,061,829	$ 583,100

DISCLOSURE OF ACCOUNTING POLICY

For purposes of reporting cash flows, cash and cash equivalents include: cash and noninterest-bearing balances due from depository institutions, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

AMERICAN PACIFIC BANK NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1993, 1992 and 1991

NOTE 1

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

American Pacific Bank is a state-chartered bank authorized to provide banking services by the State of Oregon. The Bank, headquartered in Aumsville, Oregon, has one branch located in Mill City, Oregon and a real estate loan production office serving the Portland, Oregon and Vancouver, Washington metropolitan areas.

As a member of the Federal Reserve and Federal Deposit Insurance Corporation (FDIC), the Bank is subject to the regulations of these federal agencies as well as the regulations of the Oregon State Department of Insurance and Finance. All of the regulatory agencies periodically conduct examinations of the Bank. In July 1992 and May 1993, such an examination was conducted by the State of Oregon. In November 1992, a joint examination was conducted by the Federal Reserve and FDIC. The Federal Reserve also conducted an examination in December 1993.

The report issued as a result of the joint federal agency examination of 1992 concluded that the Bank's credit concentrations, capital adequacy, past earnings, liquidity position, apparent noncompliance of specified banking regulations, as well as other factors, were of concern. As a result, the examiners and the Bank modified and replaced a 1984 Written Agreement during July 1993. The modified Written Agreement, which remained effective at December 31, 1993, committed the Bank to the adoption of policies and procedures intended to address the concerns outlined in the 1992 examination report. In the opinion of management, the Bank is in compliance with the provisions of the Written Agreement as of December 31, 1993.

(b) Investment securities

Investment securities are stated at cost, adjusted for amortization of premiums and accretion of discounts. Investment securities are acquired with an intent to hold until maturity but may be sold prior to maturity. Investment securities transactions are recorded on a trade date basis. The decision to purchase investment securities is based on a current assessment of expected economic conditions, including the interest rate environment. The determination to sell investment securities is based on management's assessment of changes in economic
or financial market conditions, interest rate risk, and balance sheet and liquidity positions. When the assessment of the aforementioned factors changes from that originally expected, management attempts to reinvest the proceeds from such sales in instruments which will enhance the long-term yield on the investment securities or improve the risk profile of the Bank. In the case that investment securities are sold, gains and losses are computed under the specific identification method.

Mortgage-backed securities, which include privately issued collateralized mortgage obligations, represent participating interests in pools of long-term first mortgage loans originated and serviced by the issuers of the securities. Privately issued collateralized mortgage obligations are debt securities that are secured by mortgage loans or other mortgage-backed securities. Such securities are recorded at unpaid principal balances, adjusted for unamortized premiums and unearned discounts.

(c) Loans, net of allowance for loan losses and unearned income

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses and unearned income. Interest on loans is calculated by using the simple-interest method on daily balances of the principal amount outstanding. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions, collection efforts and collateral position, that the borrower's financial condition is such that collection of interest is doubtful.

Various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowances for loan losses and losses on other real estate owned. Such agencies may require the Bank to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. The Bank underwent examinations by applicable regulatory agencies during both 1993 and 1992. As a result of these regulatory examinations, additions to the allowance for loan losses were required and provided by the Bank.

(d) Land, office building, equipment and improvements

Land, office building, equipment and improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed principally on the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

(e) Other real estate owned

Other real estate acquired through partial or total satisfaction of loans, is carried at the lower of cost or fair market value. At the date of acquisition, losses, if any, are charged to the allowance for loan losses.

(f) Income taxes

Certain income and expense items are accounted for in different periods for income tax purposes than for financial reporting purposes. Provision for deferred taxes are made in recognition of these temporary differences.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (Statement) No. 109, "Accounting for Income Taxes" which was adopted by American Pacific Bank for the year ending December 31, 1993. Statement No. 109 changed the method of accounting for income taxes from the deferred method to the asset and liability method. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The effect of the change in accounting principle has been determined to be immaterial to previously issued financial statements.

(g) Net income (loss) per share

Net income (loss) per share is calculated on the basis of the weighted average number of shares outstanding during the year.

(h) Off-balance-sheet financial instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

(i) Reclassifications

Certain reclassifications have been made to the 1992 and 1991 financial statements to conform with current year presentations.

NOTE 2 INVESTMENT SECURITIES

The amortized cost and estimated market values of investment securities are as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
December 31, 1993				
Obligations of U.S. Government agencies:				
Collateralized mortgage obligations	$1,584,262	$ -	$ 45,078	$1,539,184
Debentures	3,400,000	-	101,606	3,298,394
Federal Reserve Bank stock	100,000	-	-	100,000
	$5,084,262	$ -	$146,684	$4,937,578
December 31, 1992				
Obligations of U.S. Government agencies:				
Collateralized mortgage obligations	$3,558,689	$ 9,628	$ 22,692	$3,545,625
Debentures	226,818	2,016	-	228,834
Federal Reserve Bank stock	87,200	-	-	87,200
	$3,872,707	$11,644	$ 22,692	$3,861,659

The amortized cost and estimated market value of investment securities at December31, 1993, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	ESTIMATED MARKET VALUE
Due without an indicated maturity	$ 500,000	$ 498,394
Due after five years through ten years	500,000	487,500
Due after ten years	4,084,262	3,951,684
	$5,084,262	$4,937,578

At December 31, 1993 and 1992, investment securities with an amortized cost of $592,500 and $550,000, respectively, were pledged to secure deposits of public funds. In addition, the Bank had pledged $3,250,000 and $1,700,000, respectively, to VISA USA to support the Bank's secured credit card lending activities.

During 1994, the Bank will adopt the Financial Accounting Standards Board's Statement 115, "Accounting for Certain Investments in Debt and Equity Securities". This accounting principle will require the Bank to identify investment securities as "held to maturity", "available for sale" or "trading" accounts. Management anticipates that all investment securities will be identified as "held to maturity" or "available for sale" in which case "held to maturity" investments will be carried at amortized cost and "available for sale" investments at fair market value. The fair market value adjustment on "available for sale" investments will be recorded as an adjustment to the Bank's stockholders' equity. As of December 31, 1993, management had not determined the appropriate classification for the Bank's investment securities and, therefore, the effect of adopting the accounting principle.

NOTE 3 LOANS

The composition of loan balances is summarized as follows:

	DECEMBER 31 1993	DECEMBER 31 1992
Credit cards	$16,087,989	$17,635,781
Real estate - construction	11,331,598	10,910,079
Commercial and agricultural	2,123,160	1,973,316
Installment	903,908	531,864
Overdraft accounts	4,406	3,736
	30,451,061	31,054,776
Unearned income	(60,562)	(115,500)
	$30,150,237	$30,699,040

Loans on which the accrual of interest has been discontinued at December 31, 1993 and 1992, amounted to $217,665 and $165,756, respectively. Interest income which would have been realized on the nonaccrual and charged-off loans, if they had remained current, was $15,052 during 1993, $13,215 during 1992 and $21,909 during 1991.

The maturity range of the loan portfolio as of December 31, 1993, is as follows:

	DUE IN ONE YEAR OR LESS	DUE AFTER ONE THROUGH FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL
Commercial, agricultural and real estate - construction loans	$11,706,678	$ 733,730	$ 904,583	$13,344,991
Credit card loans	16,087,989	-	-	16,087,989
Installment loans and overdrafts	78,586	543,340	178,490	800,416
	$27,873,253	$1,277,070	$1,083,073	30,233,396
Nonaccrual loans				217,665
				$30,451,061
Fixed-rate loans	$18,129,667	$ 944,731	$ 714,218	$19,788,616
Adjustable-rate loans	9,941,848	369,163	133,769	10,444,780
	$28,071,515	$1,313,894	$ 847,987	30,233,396
Nonaccrual loans				217,665
				$30,451,061

NOTE 4 ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses were as follows:

	YEAR ENDED DECEMBER 31, 1993	1992	1991
Balance, beginning of year	$ 239,636	$140,665	$ 91,547
Provision for loan losses	277,139	95,850	104,110
Loans charged off	(276,513)	-	(100,000)
Recoveries on loans previously charged off	-	3,121	45,008
Balance, end of year	$ 240,262	$239,636	$ 140,665

NOTE 5 SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

Most of the Bank's commercial and agricultural loan activity is to customers located near its headquarters and branch office in Aumsville and Mill City, Oregon, respectively. These geographical areas are primarily involved in the agriculture and forest products industries.

The Bank's real estate loan production office in Portland, Oregon makes real estate construction loans to builders and their customers in the Portland metropolitan area. The office also provides real estate mortgage brokerage services to its customers for which it receives fee and commission income. As of December 31, 1993 and 1992, the Bank had 37.2% and 35.1%, respectively, of its loan portfolio comprised of real estate construction loans.

The Bank makes credit card loans to qualified individuals throughout the United States. With the exception of approximately $1,650,000 in outstanding, unsecured credit card accounts, all other approved credit card lines are fully secured with time certificates of deposit. As of December31, 1993, the Bank had 52.8% of its loan portfolio comprised of outstanding credit card balances. Of the outstanding balance of $16,087,989, approximately 10% were unsecured and 90% were secured with time certificates.

NOTE 6 BANKCARD AGREEMENTS AND CREDIT CARD TRANSACTIONS

In May 1991, the Bank entered into a "Bankcard Program Development Agreement" with IJL Corporation (currently known as Renaissance Bankcard Services), an Oregon corporation involved in the business of developing, establishing, marketing and servicing consumer credit card accounts. The Bank entered into the agreement with the intent of utilizing IJL's expertise in the development of its own secured and guaranteed consumer Visa and Mastercard programs. The agreement with IJL extends for a five-year period with provisions for automatic one year extensions unless otherwise terminated by either party.

Under terms of the agreement, IJL is responsible primarily for marketing for credit card accounts and servicing the outstanding portfolio. The Bank is responsible for approving credit terms, establishing secured deposit options, defining policies and procedures and maintaining ownership of credit card account balances.

The majority of the Bank's consumer credit card accounts are required to be fully secured with time certificates of deposit at the Bank. Balances outstanding for these secured credit cards totalled $11,393,532 at December 31, 1993. Certain other credit card accounts, known as "flips" or graduated secured accounts, have become partially unsecured with the passage of time due to the customer's creditworthiness. As of December 31, 1993, total outstanding "flip" accounts were $4,348,985 of which approximately 30% or $1,305,000 was unsecured. Another segment of the Bank's credit card portfolio consisted of guaranteed accounts. These accounts were established through a marketing agent for IJL. The marketing agent was required to maintain deposit accounts of not less than 20% of the established credit limit as collateral for these accounts. The remaining unsecured balances were guaranteed by IJL. In December 1993, the Bank sold, without recourse and through IJL, its entire guaranteed credit card portfolio at book value of $9,332,225. Included in the sale agreement is a provision that the Bank will receive a fee of 1-1/2% per annum of the average outstanding balance of all sold credit card accounts as long as it remains issuer of the card. A final component of the Bank's credit card portfolio consists of unsecured accounts issued pursuant to an agreement with IBAA Bancard, Inc. As of December 31, 1993, these unsecured credit cards totaled $345,472.

As of December 31, 1993, the Bank had $15,742,517 outstanding under the fully and graduated secured credit card programs with $21,760,446 in time certificates of deposit collateralizing these obligations. For the years ending December 31, 1993, 1992 and 1991, the Bank's net interest margin on credit card accounts was as follows:

	YEAR ENDED DECEMBER 31		
	1993	1992	1991
Interest income	$1,616,536	$975,954	$110,710
Interest expense	825,307	414,253	32,732
Net interest margin	$ 791,229	$561,701	$ 77,978

NOTE 7 LAND, OFFICE BUILDING, EQUIPMENT AND IMPROVEMENTS

Major classifications of land, office building, equipment and improvements are summarized as follows:

	YEAR ENDED DECEMBER 31	
	1993	1992
Land	$ 35,465	$ 54,510
Buildings	284,231	284,231
Equipment	418,649	419,803
Leasehold improvements	12,347	12,347
	750,692	770,891
Accumulated depreciation and amortization	(307,332)	(263,770)
	$ 443,360	$ 507,121

NOTE 8 TIME DEPOSITS

The aggregate amount of time certificates of deposit in denominations of $100,000 or more was $2,150,357 at December 31, 1993, $2,669,665 at December 31, 1992, and $2,969,206 at December 31, 1991.

NOTE 9 OTHER OPERATING EXPENSES

Other operating expenses for 1993, 1992 and 1991, were comprised of the following:

	YEAR ENDED DECEMBER 31 1993	1992	1991
Data processing expenses	$212,558	$142,081	$ 83,385
Professional services fees	152,462	210,186	146,407
Telephone, postage and wire transfer expenses	148,349	127,738	92,360
Insurance	144,523	57,962	29,664
Stationery, supplies and printing expenses	35,426	30,801	33,836
Advertising	20,967	15,408	16,630
Automatic teller machine processing fees	10,156	12,407	10,305
Public relations and business development	7,819	28,559	12,694
NSF and other operating losses	3,235	1,198	887
Other operating expenses	125,204	106,609	65,131
	$860,699	$732,949	$491,299

NOTE 10 INCOME TAXES

The Bank has no provision for income taxes for the years ended December 31, 1993 and 1992, as net operating loss carryforwards were sufficient to offset otherwise taxable amounts. Deferred tax asset and liability accounts consisted of the following as of December 31, 1993 and 1992:

	DECEMBER 31 1993	1992
Deferred tax assets	$ 90,351	$ 85,875
Net operating loss carryforward	209,030	226,678
Valuation allowance	(262,913)	(280,241)
Deferred tax liabilities	(36,468)	(32,312)
Net deferred tax asset (liability)	$ -	$ -

As of December 31, 1993, the Bank had net operating loss carryforwards available to offset future income taxes in the amount of $672,121. These carryforwards expire in 2007 and are subject to the limitation that no more than $53,371 of operating losses created prior to 1990 are available to offset the provision for income taxes in any fiscal year.

NOTE 11 TRANSACTIONS WITH RELATED PARTIES

Certain directors, executive officers and principal stockholders are customers of and have had banking transactions with the Bank in the ordinary course of business, and the Bank expects to have such transactions in the future. All loans and commitments to loans included in such transactions were made in compliance with applicable laws on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons and, in the opinion of the management of the Bank, do not involve more than the normal risk of collectibility or present any other unfavorable features. There were no loans outstanding to directors, executive officers, principal stockholders and companies with which they are associated at either December 31, 1993 and 1992, except for credit card loans with an outstanding balance of $523 and $20,142 at December 31, 1993 and 1992, respectively.

Included in other assets at December 31, 1993 and 1992, is a receivable of $116,750 and $194,583, respectively, due from the Bank's Chairman. The receivable, which is payable monthly with interest at 6%, represents expenses incurred by the Chairman during his efforts to raise additional capital and promote public relations on behalf of the Bank.

NOTE 12 EMPLOYMENT AGREEMENTS

During 1992 and 1993, the Bank cancelled employment agreements it had with its former Chairman and Chief Executive Officer, as well as its former President. The Chairman and Chief Executive Officer's employment agreement, and all provisions contained therein except stock option rights, were cancelled and to be replaced by another agreement. However, on April 1, 1993, the Chairman resigned his position as Chief Executive Officer and an alternative employment agreement did not become effective. In May 1993, the former President's employment was terminated. As a result, the Bank made a severance payment of $95,000 and terminated all provisions of the 1992 employment agreement including stock option rights.

Subsequent to December 31, 1993, the Bank approved an employment resolution for its current President and Chief Executive Officer. Terms of the agreement provide for an annual salary of $96,000, customary benefits, and provisions for a performance bonus based upon the attainment of profitability levels and a stipulated return on average assets.

NOTE 13 COMMON STOCK TRANSACTIONS

During 1988, the Bank completed the issuance of 3,300,000 shares of common stock on the Vancouver British Columbia Stock Exchange at a price of $0.38 (Canadian) per share. In November 1990, trading of the Bank's stock was terminated on the Vancouver Stock Exchange after listing had become effective on the National Association of Securities Dealers Automated Quotations (NASDAQ) over-the-counter market in the United States. During September 1990, the Bank's common stock was renamed and redesignated as no par value, Class A common stock.

During 1991, the Bank completed a private placement stock offering involving its Chairman of the Board of Directors. In February 1991, the Chairman acquired 150,000 shares of common stock at a price of $0.89 per share which increased the Bank's outstanding common stock by $114,000 after deducting offering costs. In conjunction with this private placement offering, the Chairman received 2,250,000 transferable share purchase warrants. The warrants, which are set to expire in ten years, have an exercise price of $0.89 per share for the first five years with an increase of 10% in the exercise price during the second five years.

During both 1992 and 1993, the Chairman and various investors, to whom he had transferred share purchase rights, exercised outstanding warrants. The following summarizes the increase in the Bank's common stock for the exercise of warrants as well as the amount of unexercised warrants that remain outstanding:

	SHARE PURCHASE RIGHTS	EXERCISE PRICE	INCREASE IN COMMON STOCK
Warrants issued	2,250,000		
Warrants exercised	710,000	$.89	$631,900
Unexercised warrants at December 31, 1991	1,540,000		
Warrants exercised	874,344	.89	$778,166
Warrants exchanged for stock subscription	60,000	.89	53,400
	934,344		$831,566
Unexercised warrants at December 31, 1992	605,656		
Warrants exercised	481,000	.89	$428,090
Unexercised warrants at December 31, 1993	124,656		

In September 1992, the Bank issued an offering circular for the sale of 1,400,000 shares of its common stock at a price of $2.50 per share. The offering expired in November 1992, and resulted in the issuance of 22,848 additional shares and an increase in common stock of $57,120.

Additionally, as further described in Note 14, the Bank's Chairman of the Board exercised stock options for 100,000 shares at $0.01 per share during 1992.

NOTE 14 STOCK OPTIONS

At its annual meeting of shareholders in March 1989, the Bank ratified an Employees and Directors Stock Option Plan. Under the Plan, options to acquire not more than 558,333 shares of common stock, subject to adjustment for changes in the Bank's capital structure, were granted to certain employees and directors. The exercise price of the options is equal to $.38 (Canadian) per share also adjusted for changes in the Bank's capital structure. Based on the 10 for 1 reverse stock split that occurred in 1990, options currently outstanding are limited to 55,833 shares of common stock at a purchase price of $3.80 (Canadian). Options under the Plan may be exercised at any time within the term of the grant after the Bank has two consecutive years of profitability following the end of fiscal 1988. All grants optioned under this Plan expire in February 1994. The Bank of Canada noon rate of exchange for Canadian to United States dollars on December 31, 1993, was .7504.

In April 1991, the Bank executed a stock option agreement with its Chairman and Chief Executive Officer. The agreement granted the Chairman options to acquire 100,000 shares of common stock at an option price of $0.01 per share. On the date of grant, the Bank's common stock was trading at approximately $.75 per share. All shares under the option agreement were exercised during 1992 (see Note13). Compensation expense of $74,000 associated with the Bank's granting of the 100,000 share option was included in salary expense for the year ended December 31, 1993.

In April 1992, shareholders of the Bank approved the 1992 Restated Nonqualified Stock Option Plan for Employees (Employee Plan) and the Restated Nondiscretionary Stock Option Plan for Nonemployee Directors (Outside Director Plan). The Employee Plan provides for the grant of options to employees up to an aggregate of 490,000 shares of the Bank's common stock. All employees of the Bank who meet eligibility requirements may participate in the Employee Plan which is administered by a committee of the Board of Directors. The committee has the authority to grant options including determination of the conditions and timing of grants, designation of the employees to whom options are to be granted as well as the number of shares subject to option and selection of the exercise price for shares optioned. The Plan became effective upon stockholder approval and will terminate ten years after the effective date. During 1992, options for 130,000 shares were granted under the employee plan. Of these, options for 110,000 shares were granted to the Bank's then President and Executive Vice President (see also Note 12). Employment of both the President and Executive Vice President was terminated in 1993 resulting in cancellation of their stock options. No options were granted in 1993 pursuant to the plan.

The Outside Director Plan covers all nonemployee directors of the Bank. This Plan provides for the grant of options to directors up to an aggregate of 39,000 shares of the Bank's common stock. The Plan is administered by a committee of the Board of Directors which specifies the conditions, timing and exercise price of grants of options. Under the Plan, options may be exercised only while the grantee serves as a director or within 12 months following his or her termination as a director. The exercise price for options may not be less than 85% of fair market value of the stock on the date of grant. Similar to the Employee Plan, the Outside Director Plan became effective in April 1992, and will terminate in ten years. During 1993 and 1992, options for 19,000 and 20,000 shares, respectively, were granted under the outside director plan.

Both Restated Plans for employees and directors have two restrictions in the recipient's exercise rights. First, recipients may not exercise options until after six months from the grant date. Further, the Bank may require recipients not to dispose of exercised shares for up to 12 months from the completion of an underwritten public offering of the Bank's securities should such occur.

In conjunction with the Employee Plan, the Bank has established a Special Incentive Option program for management. In this program, options will be granted to the Bank's management only if the Bank exceeds specified annual return on asset targets. The exercise price for the Special Incentive Options is $0.01 per share. The number of shares optioned are based on the fair market value of the Bank's common stock at the time of grant divided into management's performance based salary, which ranges from one to six months of normal compensation as described in the following table:

ANNUAL RETURN ON ASSETS	NUMBER OF MONTHS' BASE SALARY IN FORM OF SHARES
Less than 1.0%	None
1.0% to 1.49%	1.0
1.5% to 1.99%	2.0
2.0% to 2.49%	4.0
2.5% to 2.99%	5.0
3.0% or more	6.0

The Chairman of the Board of Directors is also eligible for the Special Incentive Options. However, he will receive cash compensation if targets are achieved using a base monthly salary figure of $10,000 for purposes of determining the amount received. Since inception, there have been no stock options granted nor cash compensation paid under the Special Incentive Option program.

Information concerning all outstanding options as of December 31, 1993 and 1992, is as follows:

	DECEMBER 31 1993	1992
Under option	89,500	189,000
Exercisable	70,500	-
Exercised during the year	-	100,000
Granted during the year	19,000	150,000
Cancelled during the year	118,500	-

NOTE 15 FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business to meet the financing needs of its customers, the Bank is a party to financial instruments with off-balance-sheet risk. These financial instruments include commitments to extend credit and the issuance of letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit written, is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Unless noted otherwise, the Bank requires collateral or other security to support financial instruments with credit risk.

	Contract Amount at December 31 1993	1992
Financial instruments whose contract amounts represent credit risk:		
Construction loan commitments	$ 7,537,130	$ 8,057,627
Line of credit commitments	94,743	53,333
Credit card commitments	10,369,384	7,990,106
	$18,001,257	$16,101,066

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include depositing accounts held by the Bank, accounts receivable, inventory, property, plant and equipment and income producing properties.

Letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third-party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

NOTE 16 COMMITMENTS AND CONTINGENCIES

(a) Operating lease transactions - As of December 31, 1993, 1992 and 1991, the Bank leased certain branch facilities as well as equipment and fixtures under noncancellable operating leases. Rent expense for 1993, 1992 and 1991, was $130,629, $80,617 and $33,510, respectively. The approximate annual commitment for rentals under these operating leases is summarized as follows:

YEAR ENDING DECEMBER 31	
1994	$55,810
1995	15,364
1996	13,200
1997	1,100

(b) Litigation - In the ordinary course of business, the Bank becomes involved in various litigation arising from normal bank activities. In the opinion of management, the ultimate disposition of these actions will not have a material adverse effect on the Bank's financial position or results of operations.

NOTE 17 EMPLOYEE BENEFIT PLANS

In August 1993, the Bank adopted a 401(k) Retirement Salary Savings and Profit Sharing Plan. The Plan became effective on July 1, 1993. All permanent employees are eligible once they meet the age and service requirements. Employer contributions are determined annually by the Board of Directors. No employer contributions were made for the year ended December 31, 1993.

NOTE 18 REGULATORY MATTERS

The Bank is required to maintain minimum amounts of capital to total "risk weighted" assets, as defined by banking regulators. At December 31, 1993, the Bank is required to have minimum Tier 1 and total capital ratios of 4.00% and 8.00%, respectively. The Bank's actual ratios at that date were 15.73% and 17.01% for both Tier 1 and total capital ratios, respectively. The Bank's actual leverage ratio at December31, 1993, was 6.71%.

COMMON STOCK TRADING INFORMATION*

Fiscal Year Ended Dec. 31,1993	High	Low
Forth Quarter	$2.50	$1.25
Third Quarter	3.13	1.25
Second Quarter	2.63	1.88
First Quarter	2.56	2.00

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

**This information is not part of the audited financial statements.*

CORPORATE DATA

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Moss Adams

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