

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Asian Pacific National Bank)
San Gabriel, California)

CONSENT ORDER

The Acting Comptroller of the Currency of the United States of America (“Comptroller”), through her National Bank Examiner, has examined Asian Pacific National Bank, San Gabriel, California (“Bank”), and has concluded that the Bank has engaged in unsafe or unsound practices with respect to credit administration, profit planning, and the Bank Secrecy Act (“BSA”), and has violated 12 C.F.R. §§ 21.11, 21.21 and 31 C.F.R. §§ 103.33, 103.34.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated 1-24-2005, that is accepted by the Comptroller. By this Stipulation and Consent, that is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in her by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

Article I

COMPLIANCE COMMITTEE

(1) Within thirty (30) days, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than two (2) shall be employees of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of

any such person. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the appointment of the Committee, and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) actions taken since the prior progress report to comply with each Article of this Order;
- (b) the results of those actions; and
- (c) a description of the actions needed to achieve full compliance with each Article of this Order.

(4) Within fifteen (15) days of receipt of each report, the Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller, Southern California – North Field Office, 550 North Brand Boulevard, Suite 500, Glendale, California 91203.

Article II

BANK SECRECY ACT - INTERNAL CONTROLS

(1) By March 31, 2005, the Board shall retain the services of a qualified independent consultant to develop and implement a written program of policies and procedures to ensure Bank compliance with the BSA. At a minimum, this written program shall establish:

- (a) job descriptions for the Compliance Officer and Cashier that eliminate any current overlap in responsibilities and oversight with respect to BSA compliance;
- (b) procedures to ensure that all accounts opened without tax identification numbers are identified and placed on a list, which shall be developed by March 31, 2005, and maintained thereafter, with monitoring of such accounts for suspicious activity;
- (c) a system of internal controls and independent testing to ensure ongoing compliance with the BSA;
- (d) operating procedures for both the opening of new accounts and the monitoring of existing accounts, which shall at a minimum ensure compliance with the Customer Identification Program, due diligence requirements (including completion of a new account checklist for each new account), enhanced due diligence for non-resident alien and other high-risk accounts, and account activity analysis for higher-risk accounts. Due diligence shall include establishing anticipated kinds and levels of activities for particular accounts;
- (e) procedures to ensure compliance with Sections 314(a) and 314(b) of the USA PATRIOT Act;
- (f) adequate controls and procedures to ensure that all suspicious and large currency transactions are identified and reported. Procedures should be comprehensive as to all points of cash entry and exit;

- (g) procedures to ensure that records are maintained on monetary instrument transactions and funds transfers, as required by the BSA;
- (h) comprehensive procedures to identify and report to appropriate management personnel on at least a monthly basis:
 - (i) frequent or large volume cash deposits or wire transfers or book entry transfers to or from offshore or domestic entities or individuals;
 - (ii) wire transfers or book entry transfers that are deposited into several accounts;
 - (iii) receipt and disbursement of wire transfers or book entry transfers without an apparent business reason;
 - (iv) receipt and disbursement of wire transfers or book entry transfers when they are inconsistent with the customer's business or anticipated account activity;
 - (v) receipt and disbursement of currency or monetary instruments when they are inconsistent with the customer's business or anticipated account activity; and
 - (vi) bank accounts opened in the name of a casa de cambio (money exchange house) or any "financial institution" as defined in 31 C.F.R. § 103.11(n) (bank, broker/dealer, currency dealer or exchanger, issuer or seller or redeemer of traveler's checks or money orders, transmitter of funds, telegraph company, casino, etc.);

- (i) an officer who will be responsible for filing Currency Transaction Reports (“CTRs”), Reports of International Transportation of Currency or Monetary Instruments (“CMIRs”), and Reports of Foreign Bank and Financial Accounts (“FBARs”);
- (j) comprehensive guidelines and procedures to identify and report both the shipment and receipt of currency or monetary instruments via common couriers, which guidelines should specifically detail procedures that will cover and address improperly labeled courier pouches containing monetary instruments, as well as related procedures for reporting and filing Suspicious Activity Reports (“SARs”) for such pouches;
- (k) comprehensive guidelines, procedures, and systems for compliance with the rules and regulations of the Office of Foreign Assets Control (“OFAC”); and
- (l) procedures to ensure that any changes in law and regulations are routinely discussed with the Board, and policies and procedures are revised as appropriate.

(2) Upon completion, a copy of this program shall be submitted to the Assistant Deputy Comptroller for review. In the event the Assistant Deputy Comptroller recommends changes to the program, the Board shall immediately incorporate those changes into the program.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

Article III

BANK SECRECY ACT - AUDIT

(1) Within thirty (30) days, the Board shall review and evaluate the level of service and ability of the audit function currently being provided to the Bank. Such assessment should include the Board's views on how the audit function can be improved to ensure the Bank's compliance with the BSA.

(2) Within sixty (60) days, the Board shall expand the Bank's existing internal audit procedures to include:

- (a) development of a program to test the adequacy of internal controls designed to ensure compliance with the BSA;
- (b) prompt management response and follow-up to all audit exceptions or other recommendations of the Bank's auditor; and
- (c) a risk-based approach to BSA compliance that includes more frequent transactional testing and verification of data for higher risk accounts or geographic areas of specific concern. Audits shall be conducted on at least an annual basis and audit documentation shall include the bases for sample selection and resolution.

(3) The Board shall immediately ensure that the Bank's audit function is and remains completely independent.

Article IV

BANK SECRECY ACT - TRAINING

(1) Within thirty (30) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a comprehensive training program for all appropriate operational and supervisory personnel, with particular emphasis given to the BSA Officer, Compliance Officer, and Cashier, to ensure their awareness of, and compliance with, the requirements of the BSA and USA PATRIOT Act, including the currency reporting and monetary instrument and funds transfer recordkeeping requirements, and the reporting requirements for SARs.

(2) The Bank's training program shall identify unique or special risks posed by certain accounts due to the type or volume of business activity conducted there and shall specifically address those risks when training employees.

(3) The Board shall develop and implement a BSA training program for directors by March 31, 2005.

(4) All internal training shall be documented, including who attended the training and the curriculum provided, and retained in the Bank as a record for three (3) years.

(5) The Board shall ensure that the Bank has the resources and personnel to ensure implementation of, and adherence to, the comprehensive training program developed pursuant to this Article.

Article V

SUSPICIOUS ACTIVITY REPORTS

(1) The Board shall, within thirty (30) days, develop, implement, and thereafter ensure Bank adherence to a written program to establish a system of internal controls and

processes to ensure compliance with the requirements to file SARs set forth in 12 C.F.R. § 21.11, as amended. At a minimum, this written program shall establish:

- (a) procedures for identifying, monitoring and reporting suspicious activity, known or suspected violations of Federal law, violations of the BSA, or suspicious transactions, including suspicious activity relating to the opening of new accounts, the monitoring of current accounts, and the transfer of funds through the Bank;
- (b) procedures to improve the quality of SARs filed by the Bank by requiring the narrative section to be specific and clear and include all of the information listed in the Report of Examination that commenced on November 1, 2004 (“ROE”); and
- (c) procedures requiring the Bank to file SARS every ninety (90) days for continuing suspicious activities.

(2) By March 30, 2005, the Board shall ensure that the Bank files SARs on the twenty-six (26) accounts identified as suspicious by its internal auditor, and analyzes and files SARs as appropriate on the four (4) accounts identified as suspicious by the Comptroller in the ROE.

(3) Upon completion, a copy of this program shall be submitted to the Assistant Deputy Comptroller for review. In the event the Assistant Deputy Comptroller recommends changes to the program, the Board shall immediately incorporate those changes into the program.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of, and adherence to, the program developed pursuant to this Article.

Article VI

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination. The monthly progress reports required by Article I of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within one hundred and twenty (120) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

Article VII

CREDIT ADMINISTRATION

(1) The Board shall, by March 31, 2005, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's credit administration. The program shall include, but not be limited to:

- (a) revising the Bank's underwriting guidelines to require a full financial analysis of a borrower's creditworthiness, including an analysis of cash flow, debt coverage ratio and financial strength, prior to the granting or renewal of any credit;
- (b) revising the Bank's credit administration policies to require that current financial information be obtained and analyzed in a timely manner to ensure effective ongoing supervision of the credit portfolio;
- (c) implementing an effective internal loan grading process that identifies problem loans and assigns risk grades in a timely manner;
- (d) improving problem loan reports to ensure that they contain information sufficient to monitor the credits and triggers indicating events that would justify upgrading or downgrading the credit;
- (e) updating the Bank's loan policy to include underwriting guidelines and administration procedures for construction loans; and
- (f) implementing a system to track and analyze exceptions to the Bank's loan policy and to provide monthly reports to the Board of such exceptions.

(2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review and prior determination of no supervisory objection.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

Article VIII

PROFIT PLAN

(1) By March 31, 2005, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance to a satisfactory level;
- (b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements; and
- (c) a description of the operating assumptions that form the basis for major projected income and expense components.

(2) Upon adoption, a copy of the written plan shall be forwarded to the Assistant Deputy Comptroller for review and prior determination of no supervisory objection.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis. The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

Article IX

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Board determines that an exception to any provision of this Order is in the best interests of the Bank, or requires an extension of any time frame within this Order, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief.

(2) Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with any provision, that require the Assistant Deputy Comptroller to exempt the Bank from any provision, or that require an extension of any time frame within this Order. All such requests shall be accompanied by relevant supporting documentation.

(3) The Assistant Deputy Comptroller's decision in granting the request is final and not subject to further review.

Article X

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through her authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(6) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 24 day of January, 2005.

/s/ Dot A. Sander-Ziegler

1-24-2005

Dot A. Sander-Ziegler
Assistant Deputy Comptroller
Southern California – North Field Office

Date

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Asian Pacific National Bank)
San Gabriel, California)

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Acting Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Asian Pacific National Bank, San Gabriel, California (“Bank”) pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated 1-24-2005 (“Order”);

In consideration of the above premises, the Comptroller, through her authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

Article I

Jurisdiction

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

Article II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of its supervisory responsibilities.

Article III

Waivers

(1) The Bank, by signing this Stipulation and Consent, hereby waives:

- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);

- (b) any and all procedural rights available in connection with the issuance of the Order;
- (c) all rights to seek any type of administrative or judicial review of the Order; and
- (d) any and all rights to challenge or contest the validity of the Order.

Article IV

Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, she deems it appropriate to do so to fulfill the responsibilities placed upon her by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as her representative, has hereunto set her hand on behalf of the Comptroller.

/s/ Dot A. Sander-Ziegler
Dot A. Sander-Ziegler
Assistant Deputy Comptroller
Southern California – North Field Office

1-24-2005
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signed	1/24/2005
_____ Louis Y. Cheng	_____ Date
Signed	1/24/05
_____ Maching M. Hou	_____ Date
Signed	1/24/2005
_____ John J. Hou	_____ Date
Signed	1/24/05
_____ Andrew B. Hwang	_____ Date
Signed	1/24/05
_____ Renguan Zhao	_____ Date