**#2010-133**

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

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| **In the Matter of:** | ) | |
| **Trans Pacific National Bank** | ) | AA-WE-10-64 |
| **San Francisco, California** | ) | |

# CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller"), through his National Bank Examiner, has supervisory authority over Trans Pacific National Bank, San Francisco, California ("Bank").

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 June 16, 2010, that is accepted by the Comptroller. By this Stipulation and Consent, which 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 it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

## ARTICLE I

## COMPLIANCE COMMITTEE

(1) Within ten (10) days of this Order, the Board shall appoint a Compliance Committee of at least four (4) directors of which a majority shall not consist of 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 and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the address listed below in Paragraph (5).

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order and shall meet at least monthly.

(3) By no later than ten (10) days following the end of the calendar month in which the Order becomes effective, and within ten (10) days of the end of every calendar month thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the action needed to achieve full compliance with each Article of this Order;

(b) actions taken to comply with each Article of this Order; and

(c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Order shall be forwarded to the:

Assistant Deputy Comptroller
San Francisco Field Office
One Front Street, Suite 1000
San Francisco, CA 94111

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures and programs required by this Order.

ARTICLE II

CAPITAL AND STRATEGIC PLAN

(1) Within ninety (90) days of this Order, the Bank shall achieve and thereafter maintain at all times, the following minimum capital ratios:

(a) tier 1 capital at least equal to nine (9.0%) of adjusted total assets; and

(b) total risk-based capital at least equal to twelve (12.0%) of risk-weighted assets.

(2) For purposes of this Article, "tier 1 capital," "total risk-based capital," "adjusted total assets," and "risk-weighted assets" are as defined in 12 C.F.R. Part 3.

(3) The requirement in this Order to meet and maintain a specific capital level means that the Bank is <u>not</u> to be deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(4) Effective immediately, the Bank shall only declare dividends:

(a) when the Bank is in compliance with the Bank's Three-Year Plan described in Paragraph (5) of this Article;

(b) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and

(c) when the Bank receives a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(5) Within ninety (90) days of this Order, the Board shall develop and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection a written capital and strategic plan for the Bank covering at least the next three years (hereafter the "Bank's Three-Year Plan"), complete with specific time frames that incorporate the capital,

strategic and other requirements of this Article. Copies of the Bank's Three-Year Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(6) The Bank's Three-Year Plan shall establish objectives and projections for the Bank's overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, product line development and market segments that the Bank intends to promote or develop. The Bank's Three-Year Plan shall also include a written profit plan and a detailed budget that describes the Bank's contemplated strategies and major capital expenditures required to achieve those objectives, that are specific, measurable, verifiable and, at a minimum, address or include:

(a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of Paragraph (1) of this Article;

(b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, provision expense, and off-balance sheet activities;

(c) projections of the sources(s) and timing of additional capital to meet the Bank's current and future needs;

(d) primary source(s) from which the Bank will strengthen its capital structure to meet capital needs;

(e) contingency sources of capital that identify alternative methods should primary source(s) not be available;

(f) specific plans to improve corporate governance practices to ensure:

(i) sound operating policies and procedures;

(ii) sound internal controls to monitor policy adherence that include the development of a comprehensive, formal annual budget, including an appropriate review and evaluation providing for the maintenance of an adequate Allowance for Loan and Lease Losses ("Allowance") and reduction in wholesale borrowings;

(iii) accountability for these processes;

(iv) implementation of each strategy;

(v) timeline to implement of each new strategy;

(vi) estimate the impact on the Bank's balance sheet/capital ratios of each strategy; and

(vii) identification of trigger points for each strategy;

(f) establish a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the last period covered by the strategic plan.

(7) Upon completion, the Bank's Three-Year Plan shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the capital and strategic plan. The Board shall review and update the Bank's capital and strategic plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

## ARTICLE III

## BOARD OVERSIGHT

(1) Within thirty days of the date of this Order, the Board shall develop and submit for a prior written determination of no supervisory objection from the Assistant Deputy Comptroller, a written program designed to ensure Bank complies with the law and safe and sound banking practices. The program shall contain, at a minimum, the following provisions:

(a) procedures to ensure that the Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary duties and other responsibilities under law;

(b) recommendations to expand the scope, frequency and sufficiency of information provided to the Board by management;

(c) procedures to ensure that reports submitted to the Board are complete and accurate;

(d) procedures to ensure that the Bank's Consolidated Reports of Condition and Income ("Call Report") are filed in a complete and accurate manner;

(e) procedures to ensure that Bank management is actively engaged in the operation and affairs of the Bank; and

(f) accountability for the policies and procedures required by this program.

(2) Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Board Oversight program required by this Article.

## ARTICLE IV

## LIQUIDITY MANAGEMENT

(1) Within sixty (60) days of the date of this Order, the Board shall develop and submit for a prior written determination of no supervisory objection, a written liquidity program to ensure the Bank maintains liquidity at a level that is sufficient to sustain the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base, to include at a minimum:

- (a) measures to increase and maintain sufficient on-balance sheet asset liquidity;
- (b) the establishment of additional back-up funding sources;
- (c) policies and procedures to ensure the implementation of adequate liquidity planning tools, to include:
  - (i) a review of administrative policies and procedures to ensure they are consistent with the Board's guidance and risk tolerances;
  - (ii) specific balance sheet liquidity targets that are consistent with the tools used to measure performance; and
  - (iii) reasonable risk limits to control the level of liquidity risk that incorporate forward-looking risk measurements and liability concentration limits such as limits on the amount of funds that may be sourced from any individual customer or groups of customers, or liability concentration limits by instrument;

(d) a plan to reduce reliance upon non-core funding sources, including brokered deposits, credit-sensitive wholesale borrowings and uninsured deposits, consistent with the Bank's liability concentration limits; and

(e) a contingency funding plan ("CFP") that ensures the Bank can remain liquidity solvent through stressed environments and that includes, at a minimum:

(i) identifying, measuring, and monitoring liquidity risk both for short-term expectations and for alternative liquidity needs on a contingency basis.;

(ii) management's best estimate of balance sheet changes that may result from a liquidity or credit event;

(iii) specific terms or events that trigger enactment of the plan, including establishing liquidity ratios to measure and monitor liquidity (i.e., loan to deposit ratios, liquidity ratio, etc.), consistent with the guidelines set forth in Liquidity, L-L, of the *Comptroller's Handbook*;

(iv) necessary management information systems and reporting criteria for use in crises situations;

(v) management responsibilities for enacting the plan and for taking specific actions once enacted;

(vi) prioritization of all sources of funding for the various scenarios including asset side funding, liability side funding, and off-balance sheet funding; and

(vii) revisions to the CFP, when appropriate, based upon changes made to the liquidity program

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and shall thereafter ensure adherence to the liquidity program.

ARTICLE V

LOAN PORTFOLIO MANAGEMENT STAFFING

(1) Within ninety (90) days of this Agreement, the Board shall take the necessary steps to eliminate the deficiencies in management leadership and Board oversight as described in the Report of Examination conducted as of September 30, 2009 (the "ROE"), to include specific actions for attaining the necessary management expertise and Board involvement to return the Bank to a safe and sound condition.

(2) Effective immediately, the Board shall ensure that it maintains a loan workout specialist with the demonstrated experience and skills to lead management's efforts to resolve and reduce problem assets (hereinafter "loan workout specialist"). This person shall be independent and report to the Board of Directors. The person appointed to such position shall be vested with sufficient knowledge, skills, and abilities, including but not limited to, the technical expertise and the leadership skills, necessary to manage the bank's problem loan portfolio, accordingly. In the event that the loan workout specialist position becomes vacant, the Board shall take the necessary steps to fill the vacancy within sixty (60) days of receiving notice of such vacancy.

(3) Prior to the appointment or employment of any loan workout specialist, the Board shall submit the name and qualifications of the proposed individual to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed executive officer. However, the lack of disapproval of such individuals shall not constitute an approval or endorsement of them.

(4) Within ninety (90) days of this Agreement, the Board shall complete a study of current management and loan staffing presently being provided to the Bank. The findings and recommendations shall be set forth in a written report (the "Lending Staff Study"). At a minimum, the Lending Staff Study shall contain:

(a) the identification of present and future management and staffing requirements of the Bank that recognizes the need for individuals with skills in collections, problem loan workouts, and credit risk management;

(b) an evaluation of the knowledge, skills, and abilities of each loan officer and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of each respective position;

(c) recommendations as to whether management or staffing changes should be made, including the need for additions to, or deletions from, the lending staffing and management team that considers the determinations made in Subparagraph (a);

(d) a recommended training program to address identified weaknesses in the skills and abilities of the staff; and

(e) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the lending management of the Bank.

(5) Within five (5) days of completion of the Lending Staff Study, the Board shall direct any changes necessary to provide the Bank with a lending staff that possesses the skills and expertise to ensure the Bank operates in a safe and sound manner and the Bank attains compliance with the various credit risk management articles in this Agreement.

(6) Copies of the Lending Staff Study shall be forwarded to the Assistant Deputy Comptroller upon its completion. The Assistant Deputy Comptroller shall retain the right to determine whether the Lending Staff Study complies with the terms of this Agreement.

## ARTICLE VI

## CREDIT UNDERWRITING AND ADMINISTRATION

(1) Effective as of the date of this Order, the Board shall ensure that all lending officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties. The Board shall ensure that there is a program in place that addresses:

(a) requirements that lending officers appropriately analyze, document, and communicate appropriate credit and collateral information;

(b) requirement to establish a training policy for loan officers to ensure they understand policy requirements;

(c) establishment of a tracking system to ensure that the appropriate documentation is obtained for financial and collateral requirements for each loan;

(d) policies and procedures designed to aggregate, track and eliminate exceptions to the Loan Policy, underwriting guidelines, and supervisory loan to value limits, for all loans to include, at a minimum:

(i) monthly Board monitoring of policy exception reports that track aggregate number and dollar amount of loans with material exceptions by type of loan and loan officer; and

(ii) procedures to hold employees and officers accountable for non-compliance with the Bank's loan policy and other underwriting requirements; and

(e) procedures to ensure that loans are properly monitored to include periodic receipt, analysis and documentation of sufficient financial and operating information to measure and monitor the borrower's and guarantor's financial condition and repayment ability, to include periodic (at least annually) cash flow analysis of income-producing collateral.

(2) Effective as of the date of this Order, the Bank may not grant, extend, renew, modify or restructure any loan or other extension of credit, or purchase any loan participation, equal to or exceeding two hundred fifty thousand dollars ($250,000), without:

(a) documenting the specific reason or purpose for the extension of credit;

(b) identifying the primary source of repayment in writing and lien status;

(c) structuring the repayment terms to coincide with expected source of repayment;

(d) obtaining current and satisfactory verified credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources;

(e) determining and documenting whether the loan complies with the Bank's Loan Policy and if it does comply, providing identification of the exception and ample justification to support waiving the policy exception;

(f) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;

(g) providing an accurate risk assessment grade for all loan types;

(h) documenting with adequate supporting material, the value of collateral and collateral type for each loan properly perfecting the Bank's lien on it where applicable; and

(i) performing adequate documented credit analysis for participation loans in accordance with OCC Banking Circular 181 (Revised), dated August 2, 1984, and 12 C.F.R. Part 34.

(3) The Board shall take the necessary steps to ensure that current and satisfactory credit and proper collateral information is maintained on all loans. Within thirty (30) days of notification, the Board shall ensure that the Bank obtains any missing credit or collateral information described in the ROE, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

## ARTICLE VII

## COMMERCIAL REAL ESTATE RISK MANAGEMENT

(1) Within sixty (60) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program (including appropriate revisions to policies and procedures) designed to manage the risk in the Bank's commercial real estate ("CRE") loan portfolio in accordance with the guidelines in OCC Bulletin 2006-46, Concentration in Commercial Real Estate Lending and the Commercial Real Estate and Construction Lending, A-CRE, of the Comptroller's Handbook. The written CRE program should, at a minimum, include:

(a) the development of CRE concentration limits and an overall CRE reduction strategy, stratified by type, locality, individual builder/developer and individual property, and other meaningful measures supported by written analysis;

(b) monthly monitoring of concentration reports that stratify the CRE portfolio by product type, locality and other meaningful measures;

(c) strategies and procedures to manage and reduce CRE concentrations to conform with established limits set in paragraph (a) of this Article;

(d) portfolio-level multi-factor stress testing and/or sensitivity analysis on homogeneous pools of loans (e.g., HELOC, undeveloped land, office space) to quantify the impact of changing economic conditions on asset quality, earnings, and capital; and

(e) significant individual loan stress testing and/or sensitivity analysis to quantify the impact of changing economic conditions on asset quality, earnings, and capital.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies and procedures required by this Article.

ARTICLE VIII

APPRAISALS AND EVALUATIONS

(1) Within sixty days (60) days of this Order, the Board shall revise, adopt, implement and thereafter ensure Bank adherence to a written program of policies and procedures designed to ensure the Bank obtains appraisals in compliance with USAP, 12 C.F.R. Part 34, Advisory Letter 2003-9, and OCC Bulletin 2005-6, *Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions*, to include at a minimum:

(a) revision of the appraisal policy, procedures and checklist to ensure technical compliance with the regulation;

(b) the required use of a standard appraisal form for ordering all appraisals;

(c) ensure independence is maintained in the appraisal ordering and review function which is independent of the lending function;

(d) the establishment of a policy requiring a comprehensive review of all appraisals to include:

(i) analysis commensurate with the type, size and complexity of the property being appraised; and

(ii) appraisals are comprehensive, timely, and detailed as to any adjustments to value.

(e) the establishment of a tickler system for tracking appraisals ordered, received, returned and reviewed.

(2) Copies of these reports shall be forwarded to the Assistant Deputy Comptroller.

## ARTICLE IX

## PROBLEM LOAN MANAGEMENT

(1) Effective as of the date of this Order, the Board shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within sixty (60) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program designed to reduce the Bank's criticized assets (the "Problem Assets Program"). The Problem Assets Program shall include or address the following matters:

(a) aggregate reporting of criticized asset levels by type to the Board or a designated committee thereof every month; and

(b) specific plans for the reduction of criticized assets by asset type with target reductions by month.

(3) The Board's compliance with Paragraph (2) of this Article shall include the development of procedures for the monthly review and preparation of written determinations by the Board or a designated committee thereof regarding the effectiveness of the responsible

officer’s efforts to eliminate the weaknesses in each criticized credit relationship totaling two hundred fifty thousand dollars ($250,000) or more, and that require the preparation of Problem Asset Reports (“PARs” or “PAR”) that contain, at a minimum, analysis and documentation of the following:

(a) an identification of the expected sources of repayment and an analysis of their adequacy;

(b) the appraised value of supporting collateral and the position of the Bank’s lien on such collateral where applicable as well as other necessary documentation to support the collateral valuation;

(c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;

(d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;

(e) trigger dates for positive borrower actions or for loan officers to reassess the strategy, enact collection plans, and make appropriate downgrades or place on nonaccrual;

(f) a determination of whether the loan is impaired and the amount of the impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan; and

(g) for criticized relationships of two hundred fifty thousand dollars ($250,000) or above that were made for the purpose of constructing or developing CRE, the PARs shall also include:

(i) the initial scheduled maturity date of the loan, number of extensions and/or renewals, and current maturity date;

(ii) project development status;

(iii) a comparison of development costs to the budgeted amount;

(iv) a comparison of sales activity to the original sales projections;

(v) amount of initial interest reserve and the amount of any subsequent additions to the reserve;

(vi) an assessment of the borrower's global cash flow;

(vii) an assessment of any guarantor's global cash flow; and

(viii) any other significant information relating to the project.

(4) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program required by this Article.

(5) A copy of each PAR prepared during the month of each quarter end (e.g., March, June, September, and December), along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each credit, shall be submitted to the Assistant Deputy Comptroller within thirty (30) days of each calendar quarter end.

(6) Effective as of the date of this Order, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other

extensions of credit equal or exceed two hundred fifty thousand dollars ($250,000), unless each of the following conditions is met:

(a) the Board or a designated committee thereof finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the Board or a designated committee thereof approves the credit extension and documents in writing, the reasons that such extension is necessary to promote the best interests of the Bank; and

(b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of credit.

## ARTICLE X

## CREDIT RISK RATINGS AND NONACCRUAL RECOGNITION

(1) Within sixty (60) days of this Order, the Board shall develop, and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a program to ensure that the risk associated with the Bank's loans and other assets is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, provisions requiring that:

(a) the Board adopts a loan grading system that is consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook* and is based upon definitive objective and subjective criterion;

(b) the Bank's loans and other assets are graded based upon current facts and existing/ reasonable (considering the loan purpose) repayment terms with a focus upon whether the primary repayment source is threatened by a well-defined weakness and whether the credit relies heavily upon secondary repayment sources, especially illiquid collateral or an unsubstantiated guarantor;

(c) the Bank's loans and other assets are timely placed on nonaccrual by the lending officers in accordance with the guidelines set forth in the Call Report;

(d) lending officers conduct periodic, formal reviews for determining the appropriate risk rate and accrual determination;

(e) appropriate analysis and documentation are maintained in the credit files to support the current and previous risk rate or accrual determination for all credit relationships totaling two hundred fifty thousand dollars ($250,000) or more;

(f) the President, Senior Loan Officer, and all lending officers receive immediate training with respect to the application of Subparagraphs (a) through (e) of this Article;

(g) the lending officers and senior management are assigned responsibility and held accountable (to include, at a minimum, consideration in periodic performance reviews and compensation) for ensuring that the Bank's loans and other assets are appropriately and timely risk rated, charged off and/or placed on nonaccrual;

(h) independent validation of the risk rating process;

(i) management information systems that periodically provide feedback about the effectiveness of the program by senior management and the individual lending officers.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program required by this Article.

## ARTICLE XI

## ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of this Order, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("Allowance") in accordance with Generally Accepted Accounting Principles ("GAAP"). The Allowance policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006 (OCC Bulletin 2006-47), and July 20, 2001 (OCC Bulletin 2001-37), and shall at a minimum include:

(a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan;

(b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies;

(c) procedures for validating the Allowance methodology; and

(d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:

(i) trends in the Bank's internal risk ratings, delinquent and nonaccrual loans;

(ii) results of the Bank's external loan review;

(iii) concentrations of credit in the Bank;

(iv) present and prospective economic conditions; and

(v) applicable experience of the Bank's lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Call Reports for the Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Allowance program shall be forward to the Assistant Deputy Comptroller within fifteen (15) days of approval by the Board of Directors.

ARTICLE XII

INTEREST RATE RISK

(1) Within sixty (60) days of the date of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written interest rate risk policy. In formulating this policy, the Board shall refer to the "Interest Rate Risk" booklet of the *Comptroller's Handbook*. The policy shall provide for a coordinated interest rate risk strategy and, at a minimum, address:

(a) establishment of adequate and effective interest rate risk management reports on which to base sound interest rate risk management decisions;

(b) establishment and implementation of an interest rate risk simulation mode that captures option risk on the balance sheet;

(c) procedures to test the simulation model to ensure accuracy and effectiveness;

(d) establishment and guidance regarding the Bank's strategic direction and tolerance for interest rate risk;

(e) implementation of effective tools to measure and monitor the Bank's performance and overall interest rate risk profile;

(f) prudent limits on the nature and amount of interest rate risk that can be taken; and

(g) periodic review of the Bank's adherence to the policy.

(2) Upon adoption, a copy of the written policy shall be forwarded to the Assistant Deputy Comptroller for review.

## ARTICLE XIII

## CLOSING

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(2) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States 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) The provisions of this Order 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.

(4) In each instance in this Order in which the Bank or the Board is required to ensure implementation of or adherence to, or to undertake to perform, an obligation of the Bank, the Board shall:

(a) authorize and adopt such actions on behalf of the Bank as may be necessary or appropriate for the Bank to perform its obligations under this Order;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;

(c) follow up on any noncompliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner for any noncompliance with such actions.

(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 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.

**IN TESTIMONY WHEREOF**, the undersigned has set his hand this 16th day of June 2010.

/s/ June 16, 2010

Brian J. Quade
Assistant Deputy Comptroller
San Francisco Field Office

Date

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

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| **In the Matter of:** | ) | |
| Trans Pacific National Bank | ) | AA-WE-10-64 |
| San Francisco, California | ) | |

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

The Comptroller of the Currency of the United States of America ("Comptroller") intends to initiate cease and desist proceedings against Trans Pacific National Bank, San Francisco, California ("Bank"), pursuant to 12 U.S.C. § 1818(b), for unsafe and unsound banking practices relating to its Board oversight, credit underwriting, credit administration, liquidity management and capital and strategic planning..

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated June 16, 2010, (the "Order");

In consideration of the above premises, the Comptroller, through his 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 his 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 Comptroller 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 his 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 a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19;

(d) all rights to seek any type of administrative or judicial review of the Order; and

(e) 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, it deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

/s/ June 16, 2010

Brian J. Quade Date

Assistant Deputy Comptroller

San Francisco Field Office

**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.

| | |
|---|---|
| /s/ | June 16, 2010 |
| James Babcock | Date |
| /s/ | June 16, 2010 |
| Denis Daly, Jr. | Date |
| /s/ | June 16, 2010 |
| John Daly | Date |
| /s/ | June 16, 2010 |
| Dennis McDonnell | Date |
| /s/ | June 16, 2010 |
| Richard Rodriguez | Date |
| | |
| | Date |