

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549-1004

FORM 8-K/A

(Amendment No. 2)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **April 30, 2004**

Hanmi Financial Corporation

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

000-30421
(Commission File Number)

95-4788120
(IRS Employer
Identification No.)

3660 Wilshire Boulevard
Los Angeles California
(Address of Principal Executive Offices)

90010
(Zip Code)

Registrant's telephone number, including area code: **(213) 382-2200**

Not applicable
(Former name of former address, if changed since last report)

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Item 2. Acquisition or Disposition of Assets

This Form 8-K/A amends the Current Report on Form 8-K dated May 3, 2004, as amended on July 14, 2004, to include as an exhibit Item 7. (a) Pacific Union Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, including the audited financial statements thereto (consisting of audited balance sheets for the year ended December 31, 2003 and 2002 and statements of income and cash flows for the years ended December 31, 2003, 2002 and 2001) and Item 7. (b) pro forma financial information as of and for the year ended December 31, 2003.

Pacific Union Bank's financial statements were previously filed by Pacific Union Bank with the Federal Deposit Insurance Corporation pursuant to the FDIC's rules and regulations and Section 12(i) of the Securities Exchange Act of 1934, as amended. This report was publicly available upon filing with the FDIC on March 30, 2004 pursuant to the FDIC's rules and regulations.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

- (a) Pacific Union Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2003
- (b) Pro Forma Financial Information
 - (1) Unaudited Condensed Combined Balance Sheet as of December 31, 2003
 - (2) Unaudited Pro Forma Condensed Combined Statement of Income for the Year Ended December 31, 2003
 - (3) Notes to Condensed Combined Financial Statements
- (c) Exhibits.

Exhibit No.	Exhibit
23.1	Consent of KPMG, LLP
99.1	Pacific Union Bank's Annual Report on Form 10-K

HANMI FINANCIAL CORPORATION

**UNAUDITED PRO FORMA CONDENSED COMBINED
FINANCIAL STATEMENTS**

On April 30, 2004, Hanmi completed its merger with Pacific Union Bank (“PUB”), and Hanmi and PUB combined operations.

The following unaudited pro forma condensed combined financial statements reflect the effects of the merger on the historical financial position and results of operations of Hanmi and PUB. The unaudited pro forma condensed combined statement of income combines the historical consolidated financial statements of Hanmi and PUB, giving effect to the merger as if it had occurred on January 1, 2003. The unaudited pro forma condensed combined balance sheet combines the historical consolidated balance sheets of Hanmi and PUB, giving effect to the merger as if it had occurred on December 31, 2003. We have adjusted the historical financial information to give effect to pro forma events that are directly attributable to the merger, factually supportable, and, with respect to the statement of income, expected to have a continuing effect on combined results. This information has been prepared from, and should be read in conjunction with:

- the accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements;
- the separate historical financial statements of Hanmi as of and for the year ended December 31, 2003 included in Hanmi’s Annual Report on Form 10-K for the year ended December 31, 2003; and
- the separate historical financial statements of PUB as of and for the year ended December 31, 2003 included in PUB’s Annual Report on Form 10-K for the year ended December 31, 2003.

The unaudited pro forma condensed combined financial statements included in this document are presented for informational purposes only and are not a measure of performance calculated in accordance with generally accepted accounting principles. This information includes various estimates and may not necessarily be indicative of the financial condition or results of operations that would have occurred if the merger had been completed on the date or at the beginning of the period indicated or which may be obtained in the future.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. The unaudited pro forma condensed combined financial statements, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, do not reflect the benefits of expected cost savings or opportunities to earn additional revenue, nor do they reflect business integration costs which Hanmi expects to incur, and, accordingly, do not attempt to predict or suggest future results.

Pro Forma Condensed Combined Balance Sheet
As of December 31, 2003
(Unaudited; dollar amounts in thousands)

	Hanmi	PUB	Pro Forma Adjustments (Note 4)	Pro Forma
Cash and due from banks	\$ 62,595	\$ 24,516	(\$ 168,077)(a) 75,000(c) (3,159)(c) 79,921(b)	\$ 70,796
Federal funds sold		8,500		8,500
Cash and cash equivalents	62,595	33,016	(16,315)	79,296
Federal Reserve Bank stock	2,935			2,935
Federal Home Loan Bank stock	7,420	7,851		15,271
Investment securities	414,616	210,679	(1,489)(g)	623,806
Loans receivable, net	1,221,560	861,998	376(g)	2,083,934
Loans held for sale	25,454	906		26,360
Premises and equipment, net	8,435	6,684	5,459(g)	20,578
Goodwill	1,831		202,080(g) 7,948(g)	211,859
Core deposit intangible	212		13,137(g)	13,349
Other assets	40,696	15,269	2,475(b) 15(g)	58,455
Total assets	\$1,785,754	\$1,136,403	\$ 213,686	\$3,135,843
Deposits:				
Demand	\$ 475,100	\$ 254,623		\$ 729,723
Savings	96,869	74,524		171,393
Money market checking	206,086	128,663		334,749
Time deposits	667,780	405,171	\$ 264(g)	1,073,215
Total deposits	1,445,835	862,981	264	2,309,080
Other borrowed funds	179,895	157,017	789(g)	337,701
Junior subordinated notes issued to Hanmi Capital Trust			82,396(b)	82,396
Other liabilities	20,557	5,722	7,948(g) 4,512(g)	38,739
Total liabilities	1,646,287	1,025,720	95,909	2,767,916

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	<u>Hanmi</u>	<u>PUB</u>	<u>Pro Forma Adjustments (Note 4)</u>	<u>Pro Forma</u>
Common stock	14	64,117	(64,117)(f)	
			4(c)	
			6(d)	24
Additional paid-in capital	103,082	22,333	(22,333)(f)	
			69,531(c)	
			155,405(d)	
			1,063(e)	
			2,306(c)	
			145(a)	331,532
Accumulated other comprehensive income	386	(465)	465(f)	386
Retained earnings	<u>35,985</u>	<u>24,698</u>	<u>(24,698)(f)</u>	<u>35,985</u>
Total shareholders' equity	<u>139,467</u>	<u>110,683</u>	<u>117,777</u>	<u>367,927</u>
Total liabilities and shareholders' equity	<u>\$1,785,754</u>	<u>\$1,136,403</u>	<u>\$ 213,686</u>	<u>\$3,135,843</u>

See accompanying Notes to Pro Forma Condensed Combined Financial Statements.

Pro Forma Condensed Combined Statement of Income
For the Year Ended December 31, 2003
(Unaudited; dollar amounts in thousands)

	Hanmi	PUB	Pro Forma Adjustments	Pro Forma
Interest income:				
Interest and fees on loans	\$ 64,849	\$ 43,854	\$ (176)(h)	\$ 108,527
Interest on investments	12,687	6,234	102(i)	19,023
Interest on Federal funds sold	225	754		979
Other interest income		19		19
Interest income pro forma adjustment			(516)(j)	(516)
Total interest income	<u>77,761</u>	<u>50,861</u>	<u>(590)</u>	<u>128,032</u>
Interest expense:				
Deposits and other borrowings	20,796	14,017	(1,006)(h)	33,807
Junior subordinated notes			3,407(i)	3,407
Total interest expense	<u>20,796</u>	<u>14,017</u>	<u>2,401</u>	<u>37,214</u>
Net interest income before provision for loan losses	56,965	36,844	(2,991)	90,818
Provision for loan losses	5,680	1,900		7,580
Net interest income after provision for loan losses	<u>51,285</u>	<u>34,944</u>	<u>(2,991)</u>	<u>83,238</u>
Noninterest income:				
Service charges on deposit accounts	10,339	6,298		16,637
Gain on sale of loans	2,157	3,450		5,607
Gain on sales of securities	1,094	409		1,503
Trade finance fees	2,887	777		3,664
Remittance fees	952	906		1,858
Other service charges and fees	875	1,463		2,338
Other income	1,374	418		1,792
Total noninterest income	<u>19,678</u>	<u>13,721</u>		<u>33,399</u>
Noninterest expenses:				
Salaries and employee benefits	21,214	14,216		35,430
Occupancy and equipment	5,198	4,235	129(h)	9,562
Data processing	3,080	1,950		5,030
Supplies and communications	1,496	1,463		2,959
Professional fees	1,167	1,754		2,921
Advertising and promotion	1,635	915		2,550
Loan referral fees	921	1,034		1,955
Other operating	4,614	3,078	2,627(h)	10,319
Total noninterest expenses	<u>39,325</u>	<u>28,645</u>	<u>2,756</u>	<u>70,726</u>
Income before income tax provision	31,638	20,020	(5,747)	45,911
Income tax provision (benefit)	12,425	8,006	(2,241)(k)	18,190
Net income	<u>\$ 19,213</u>	<u>\$ 12,014</u>	<u>\$ (3,506)</u>	<u>\$ 27,721</u>
Earnings per share data:				
Basic	\$ 1.37	\$ 1.13		\$ 1.15(l)
Diluted	\$ 1.34	\$ 1.12		\$ 1.12(l)
Basic average common shares outstanding	14,046,354	10,655,349	10,156,696	24,203,050
Diluted average common shares outstanding	14,331,013	10,725,580	10,447,546	24,778,559

See accompanying Notes to Pro Forma Condensed Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1 — Basis of Presentation

The merger will be accounted for using the purchase method of accounting.

Statement of Financial Accounting Standards (“SFAS”) No. 141, *Business Combinations*, requires use of the purchase method of accounting for business combinations. SFAS No. 142, *Goodwill and Other Intangible Assets* establishes standards for goodwill acquired in a business combination and sets forth methods to periodically evaluate goodwill for impairment at least annually. The purchase method of accounting for business combinations requires that the assets acquired and liabilities assumed are recorded at their respective estimated fair values as of the closing date. The excess of the total acquisition cost over the sum of the assigned fair values of the tangible and identifiable intangible assets acquired, less liabilities assumed, should be recorded as goodwill and evaluated for impairment thereafter at least annually. Financial statements of Hanmi issued after the consummation of the merger are required to reflect those values, as well as the results of operations of the combined company beginning after the closing date of the merger. Financial statements of Hanmi issued prior to the consummation of the merger will not be restated to reflect PUB’s historical financial condition or results of operations.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2003 give effect to the merger, including the related issuances by Hanmi, in private placement transactions, of 3,947,369 shares of common stock for an aggregate \$71.8 million in cash and \$80.0 million of junior subordinated notes to finance part of the cash portion of the merger consideration, as if the merger had occurred on January 1, 2003. The proceeds from such private placement transactions were used to finance the acquisition of the shares of PUB common stock held by the Trust formed to hold Korea Exchange Bank’s shares of PUB common stock. The Trust held approximately 62% of the PUB shares outstanding.

The unaudited pro forma condensed combined statement of financial condition as of December 31, 2003 gives effect to the merger (including the related planned issuances by Hanmi of additional common shares and junior subordinated notes to finance part of the cash portion of the merger consideration) as if the merger had occurred at December 31, 2003.

We prepared the unaudited pro forma condensed combined financial statements using the purchase method of accounting, treating Hanmi as the acquirer. Accordingly, Hanmi’s estimated cost of approximately \$324.7 million to acquire PUB has been allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. Any excess of the purchase price over the estimated fair value of net assets acquired has been recorded as goodwill. Independent valuation experts currently are assisting management in determining the value of a substantial portion of these net assets, and preliminary estimates of the fair values of PUB’s net assets have been reflected in these pro forma condensed combined financial statements. However, the final values of a portion of them are dependent upon future events, including the outcome of negotiations with the lessors of various facilities formerly occupied by PUB. The final determination of the fair values of PUB’s assets and liabilities will be completed as soon as possible but no later than one year following the acquisition date.

No estimates of business integration costs or anticipated cost savings, potential revenue enhancements or synergies that Hanmi or PUB expect to realize in connection with the merger have been reflected in the unaudited pro forma combined financial statements. The unaudited pro forma condensed combined financial statements do not reflect the impact of conforming PUB’s accounting policies to those of Hanmi’s, as the impact, if any, has not yet been determined.

Note 2 — Merger Consideration

Under the terms of the merger agreement, Hanmi issued 6,209,327 shares of Hanmi common stock and approximately \$164.6 million in cash for the 10,908,821 outstanding shares of PUB common stock and existing options held by PUB employees and directors to acquire 59,443 shares of PUB common stock. Based on an initial exchange ratio of 1.1560 shares of Hanmi stock, the transaction was comprised of approximately 54.9 percent cash and approximately 45.1 percent stock, and it is contemplated that it will qualify as a tax-deferred reorganization.

**NOTES TO UNAUDITED CONDENSED PRO FORMA COMBINED
FINANCIAL STATEMENTS — (Continued)**

Based upon the average closing price of \$25.06 of Hanmi's common stock for the period two days before and two days after the April 29, 2004 pricing of the merger agreement, the total fair value of the merger consideration at that date was approximately \$324.7 million, as set forth in Note 3 below.

Note 3 — Purchase Price and Acquisition Costs

For purposes of the accompanying unaudited pro forma condensed combined financial statements, the purchase price has been estimated as follows:

	(dollars in thousands, except share price)
Common stock:	
Number of shares of PUB stock outstanding as of April 30, 2004 less shares acquired for cash	5,371,390
Exchange ratio	1.156
	6,209,327
Multiplied by Hanmi's average stock price for the period two days before and two days after the April 29, 2004 pricing of the merger agreement	\$ 25.06
	155,606
Stock options:	
Estimated fair value of 68,707 Hanmi stock options to be issued in exchange for 59,443 PUB outstanding stock options, calculated using the Black-Scholes option pricing model, modified for dividends, with model assumptions estimated as of April 30, 2004 and a Hanmi stock price of \$25.06, the average stock price for the period two days before through two days after the April 29, 2004 pricing of the merger agreement.	1,063
Cash	164,562
Transaction costs – cash	3,320
– stock warrant	145
Total estimated purchase price	\$ 324,696

For the purposes of these unaudited pro forma condensed combined financial statements, the purchase price estimated above has been allocated based on estimates of the fair values of the assets acquired and liabilities assumed. The final valuation of net assets acquired will be completed as soon as possible but no later than one year from the acquisition date. To the extent estimates need to be adjusted, they will be adjusted.

	(dollars in thousands)
Book value of net assets acquired	\$ 110,683
Adjustments:	
Adjustment to record acquired securities at estimated fair value	(1,489)
Adjustment to record acquired loans at estimated fair value	376
Adjustment to record acquired fixed assets at estimated fair value	5,459
Adjustment to record core deposit intangible asset	13,137
Adjustment to record various other assets at estimated fair value	15
Adjustment to record interest-bearing deposits at fair value	(264)
Adjustment to record other borrowings at fair value	(789)
Adjustment to record severance benefits associated with the elimination of positions, termination of certain contractual obligations of PUB and other miscellaneous adjustments	(4,512)
Adjustment to record deferred tax liability	(7,948)
Adjustment to record goodwill associated with the acquisition of PUB	210,028
Estimated purchase price	\$ 324,696

**NOTES TO UNAUDITED CONDENSED PRO FORMA COMBINED
FINANCIAL STATEMENTS — (Continued)**

It is expected that the deferred income tax assets and liabilities will reverse during the periods of, and in proportion to, the amortization/accretion of the related purchase accounting adjustments to identifiable tangible and intangible assets and liabilities. The estimated amortization of this aggregate adjustment is shown as a net adjustment in the attached unaudited pro forma condensed combined financial statements using the straight-line method assuming an expected weighted average life of approximately ten years.

Note 4 — Pro Forma Adjustments

- (a) To reflect the cash portion of the purchase price and transaction costs of approximately \$164.6 million and \$3.5 million, respectively, as described in Note 3.
 - (b) To reflect the debt issuance of a total \$79.9 million of interest-bearing junior subordinated notes to partially fund the cash portion of the merger consideration after issuance cost.
 - (c) To reflect the issuance, in a private placement transaction, of 3,947,369 shares of Hanmi common stock at \$19.00 per share, aggregating \$71.8 million after issuance costs, to partially fund the cash portion of the merger consideration and 239,279 stock warrants at \$19.00 per share issued in connection with the private placement transaction.
 - (d) To reflect 6,209,327 shares of Hanmi common stock issued in exchange for a portion of the shares of PUB common stock and stock options at an exchange ratio of 1.1560 based on the average closing price for the period two days before through two days after the April 29 pricing of the merger agreement of \$25.06. The proceeds from the private placement transactions described in pro forma adjustments (b) and (c) above were used to finance the acquisition of most of the shares of PUB common stock held by the Trust. The shares of Hanmi common stock issued as described in this pro forma adjustment (d) were used to acquire the remaining shares of PUB common stock held by the Trust, as well as all shares of PUB common stock held by all other shareholders, and existing options held by PUB management and directors to acquire shares of PUB common stock.
 - (e) To reflect 68,707 Hanmi common stock options issued in exchange for outstanding PUB stock options.
 - (f) To reflect elimination of PUB equity components.
 - (g) To reflect the preliminary excess of purchase price over book value of net assets to be acquired as described in the preceding Note 3 to these unaudited pro forma condensed combined financial statements, \$210.0 million, including the intangible related to customer deposits of \$13.1 million, and its related income tax effects, \$7,948.
 - (h) To reflect in net interest income the estimated amortization of purchase accounting adjustments on interest-earning assets, including loans receivable, net of interest-bearing deposits and other borrowings; to reflect the estimated depreciation of bank premises in occupancy and equipment expense; and to reflect estimated amortization of customer core deposit intangible assets in other operating expenses using the straight-line method over their expected weighted average lives.
- For the purposes of the unaudited pro forma condensed combined statements of operations the straight-line method is used to estimate the amortization of the core deposit intangible asset, because Hanmi management has not yet determined whether another method of amortization is indicated by the pattern of attrition among PUB's depositors. If another method were to be used, the results could be materially different.
- (i) To reflect interest income related to the investment of a total of \$2.5 million in equity securities related to junior subordinated notes, assuming rates based on the three-month LIBOR at December 31, 2002, March 28, 2003, June 27, 2003, and September 26, 2003, in accordance with the terms of the agreements dated January 8, March 15, 2004, and April 28, 2004, as follows:
-

**NOTES TO UNAUDITED CONDENSED PRO FORMA COMBINED
FINANCIAL STATEMENTS — (Continued)**

<u>Date</u>	<u>Principal</u>	<u>Three-Month LIBOR</u>	<u>Spread</u>	<u>Rate</u>	<u>Interest</u>
		(dollars in thousands)			
January 8, 2004	\$ 928	1.11 - 1.38%	2.90%	4.01 - 4.28%	\$ 39.0
March 15, 2004	928	1.11 - 1.38%	2.90%	4.01 - 4.28%	39.0
April 28, 2004	619	1.11 - 1.38%	2.63%	3.74 - 4.01%	24.2
	<u>\$ 2,475</u>				<u>\$ 102.2</u>

To reflect interest expense related to the issuance of a total of \$61.9 million of junior subordinated notes, at a rate of 4.28%, 4.19%, 4.01%, and 4.04% for the three month periods ended March 31, 2003, June 30, 2003, September 30, 2003, and December 31, 2003, respectively, assuming a rate based on the three-month LIBOR at December 31, 2002, March 28, 2003, June 27, 2003, and September 26, 2003 plus a spread of 2.9%, in accordance with the terms of the agreement associated with the \$30.9 million in junior subordinated notes issued on January 9, 2004 (first tranche), the \$30.9 million in junior subordinated notes issued on March 15, 2004 (second tranche), and \$20.6 million of junior subordinated notes, at a rate of 4.01%, 3.92%, 3.74%, and 3.77% for the three month periods ended March 31, 2003, June 30, 2003, September 30, 2003, and December 31, 2003, respectively, assuming a rate based on the three-month LIBOR at December 31, 2002, March 28, 2003, June 27, 2003, and September 26, 2003 plus a spread of 2.63% in accordance with the terms of the agreement associated with the 20.6 million in junior subordinated notes issued on April 28, 2004 (third tranche), as follows:

<u>Date</u>	<u>Principal</u>	<u>Three-Month LIBOR</u>	<u>Spread</u>	<u>Rate</u>	<u>Interest</u>
		(dollars in thousands)			
January 8, 2004	\$30,928	1.11 - 1.38%	2.90%	4.01 - 4.28%	\$1,298.7
March 15, 2004	30,928	1.11 - 1.38%	2.90%	4.01 - 4.28%	1,298.7
April 28, 2004	20,619	1.11 - 1.38%	2.63%	3.74 - 4.01%	809.3
	<u>\$82,475</u>				<u>\$3,406.7</u>

(j) To reflect the decrease in interest income resulting from the decrease in cash in the amount of the excess, approximately \$16.3 million, of (1) the cash portion of the merger consideration, approximately \$164.6 million plus Hanmi acquisition costs, approximately \$3.3 million, (described in Note 3) over (2) the proceeds, \$151.6 million, of the private placement transactions described in pro forma adjustments (b) and (c) above at the fully taxable-equivalent rate of 3.16% for the year ended December 31, 2003, representing Hanmi's weighted average yield on earning assets other than loans during such period.

(k) To reflect the impact of income taxes associated with these pro forma adjustments to operating results at a 39% combined effective income tax rate.

(l) Pro forma earnings per share was calculated using Hanmi's historical shares outstanding for the period presented, in addition to 3,947,369 shares of Hanmi common stock issued in a private placement transaction to partially fund the cash portion of the merger consideration as described in pro forma adjustment (c), 6,209,327 shares of Hanmi common stock as described in pro forma adjustment (d).

For purposes of determining the pro forma earnings per share amounts, the issuance of shares is assumed to have occurred on January 1, 2003.

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
For the Year Ended December 31, 2003:			
Weighted average basic shares outstanding	14,046,354	10,156,696	24,203,050
Weighted average diluted shares outstanding	14,331,013	10,447,546	24,778,559

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 26, 2004

Hanmi Financial Corporation

By: /s/ JAE WHAN YOO

Jae Whan Yoo
President and Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Exhibit
23.1	Consent of KPMG, LLP
99.1	Pacific Union Bank's Annual Report on Form 10-K

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Hanmi Financial Corporation:

We consent to the inclusion in Form 8K/A of Hanmi Financial Corporation of our report dated February 20, 2004, with respect to the balance sheet of Pacific Union Bank as of December 31, 2003, and the related statements of operations, changes in shareholders' equity and comprehensive income, and cash flows for the years ended December 31, 2003 and 2001, which report appears in the December 31, 2003 annual report on Form 10-K of Pacific Union Bank.

KPMG LLP
Los Angeles, California

July 26, 2004

FEDERAL DEPOSIT INSURANCE CORPORATION
 WASHINGTON, D.C. 20006

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

FDIC Certificate Number 21765

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA

State or other jurisdiction of
 incorporation or organization

95-2888370

I.R.S. Employer Identification Number

3530 WILSHIRE BLVD. #1800
 LOS ANGELES, CALIFORNIA

90010

Address of principal executive offices

Zip Code

(213) 385-0909

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
 Common Stock- \$6.00 Par Value.

 Indicate by check mark whether the Registrant (1) has filed all reports
 required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
 1934 during the preceding 12 months (or for such shorter period that the
 registrant was required to file such reports), and (2) has been subject to such
 filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to
 Item 405 of Regulation S-K is not contained herein, and will not be contained,
 to the best of Registrant's knowledge, in definitive proxy or information
 statements incorporated by reference in Part III of this Form 10-K or any
 amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer
 (as defined in Exchange Act Rule 12b-2).

Yes No

The aggregate market value of Pacific Union Bank (PUBB) common stock
 held by non-affiliates was approximately \$113,985,285 as of March 15, 2004.

The number of shares of Common Stock of the registrant outstanding as
 of March 15, 2004 was 10,688,166.

Documents Incorporated by Reference: None

This Annual Report consists of a total of 80 pages.

The Exhibit Index appears on page 77.

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PART I

ITEM 1. BUSINESS

GENERAL

Pacific Union Bank (formerly California Korea Bank) is a California state-chartered commercial bank headquartered in Los Angeles, California, which commenced operations in September 1974. The Bank's primary market includes the greater Los Angeles metropolitan area, Orange County, Santa Clara County and the San Francisco metropolitan area. It is primarily focused in areas with high concentrations of Korean-Americans. The Bank currently has 12 full service branch offices, including four branches within the area of Los Angeles' Koreatown, and one in Downtown Los Angeles. Additional Southern California branch offices are located in Garden Grove, Van Nuys, Torrance, Rowland Heights and Cerritos. The two Northern California branch offices are located in Santa Clara and San Francisco. The Bank also has a loan production office ("LPO") in Seattle, Washington.

The Bank's Corporate Headquarters is located at 3530 Wilshire Boulevard, Suite 1800, Los Angeles, California 90010 and its main telephone number is (213) 385-0909. At December 31, 2003, the Bank had total assets of \$1.1 billion, total deposits of \$863.0 million and total loans of \$873.2 million including loans held for sale. The Bank's deposit accounts are insured under the Federal Deposit Insurance Act, up to the maximum applicable limits thereof. The Bank is not a member of the Federal Reserve System.

In August 2000 the Bank completed an initial public offering of 1,935,000 newly authorized shares of its Common Stock raising an aggregate of approximately \$13.5 million in net proceeds for the Bank, after the deduction of underwriting discounts and commissions, but before the deduction of expenses of the offering. In addition, the Bank's major shareholder, Korea Exchange Bank ("KEB"), which owned 100% of the Bank's issued and outstanding shares of Common Stock prior to the offering, sold an aggregate of 1,290,000 of its shares in the public offering, the proceeds from which sale were retained by KEB. Upon the effectiveness of the initial public offering, the Bank's Common Stock was listed on the Nasdaq National Market and trades on the Nasdaq exchange, other primary exchanges and electronic communication networks under the symbol PUBB.

Through its network of 12 full-service branch offices, the Bank provides a wide range of commercial and consumer banking services to the Korean-American communities which it serves. The Bank's primary focus is on its core customer base of small and medium-sized Korean-American businesses, professionals and other individuals. The Bank places a particular emphasis on the growth of its low cost core-deposit base and the origination of commercial and residential real estate loans. The Bank offers Korean/English bilingual services to its customers and has a network of ATMs located in nine of its branch offices.

The Bank engages in a full complement of lending activities, including the making of residential and commercial real estate loans, commercial loans, trade finance, working capital lines, SBA loans, automobile loans, credit card and other personal loans. The Bank funds its lending activities primarily with retail deposits obtained through the Bank's branch network and, to a lesser extent, advances from the Federal Home Loan Bank ("FHLB") of San Francisco. The Bank's deposit products include demand deposit accounts, savings accounts, time certificates of deposit and fixed maturity installment savings. The Bank also offers safe deposit boxes, wire transfer services, travelers' checks, debit cards, cash management services and merchant deposit services.

Management of the Bank does not believe there is a significant demand for additional trust services in its service area, and the Bank does not operate or have any present intention to seek authority to operate a Trust Department.

The Bank has grown almost exclusively by establishing new full-service branch offices and LPOs. If the merger is not consummated, Management may consider acquisitions of other institutions or of branches of such institutions to strengthen the Bank's presence and further expand and diversify its customer base out of state. For establishment of branches outside the state of California, acquisition would most likely be the only permissible means in any states in which the Bank would be interested. The Bank has not currently identified any new markets, within or outside the State of California.

The Bank holds no patents or licenses (other than licenses required to be obtained from appropriate bank regulatory agencies), franchises, or concessions. The Bank's business is not seasonal. The Bank is not dependent on a single customer or group of related customers for a material portion of its deposits, nor is a material portion of the Bank's loans concentrated within a single industry or group of related industries. There has been no material effect upon the

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Bank's capital expenditures, earnings, or competitive position as a result of federal, state, or local environmental regulation.

The Bank has no plans regarding a new line of business requiring the investment of a material amount of total assets.

The officers and employees of the Bank are engaged continually in marketing activities, including the evaluation and development of new services, which enable the Bank to retain and improve its competitive position in its service area. The Bank has not engaged in any material research activities relating to the development of new services or the improvement of existing banking services during the last two fiscal years.

DEPOSIT SERVICES

The Bank offers a wide variety of deposit products including noninterest-bearing demand accounts, money market accounts, Super NOW accounts, savings accounts and certificates of deposit. At December 31, 2003, the Bank's deposits consisted of \$254.6 million or 29.5% in noninterest-bearing demand accounts; \$128.7 million or 14.9% in money market accounts; \$7.7 million or 0.9% in Super NOW accounts; \$46.5 million or 5.4% in savings accounts and \$425.5 million or 49.3% in time certificates of deposit. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation - Deposits."

Most of the Bank's deposits are received from individuals, business-related sources and some municipal entities. This results in a relatively modest average deposit balance, but makes the Bank less subject to adverse effects from the loss of a substantial depositor who may be seeking higher yields in other markets or who may otherwise have need of money on deposit with the Bank, especially during periods of inflation or conservative monetary policies.

LENDING ACTIVITIES

The Bank engages in a full complement of lending activities, including residential and commercial real estate loans, commercial loans, trade finance, working capital lines, SBA loans, automobile loans, credit card and other personal loans. As of December 31, 2003, the principal areas in which the Bank

directed its lending activities, and the percentage of the total loan portfolio for which each of these areas was responsible, were as follows: (i) commercial real estate loans 62.4%; (ii) commercial and industrial loans 17.5%; (iii) SBA loans 8.0%; (iv) residential estate loans 4.2%; and (v) "Bills Bought" (extensions of credit to banks in South Korea in the form of letters of credit discount transactions) 2.6%. A detailed description of the Bank's lending activities is included in Item 7 -- "Management's Discussion and Analysis of Financial Condition and Results of Operations(Y)Financial Condition(Y)Loan Portfolio" below.

INTERNET BANKING

In January 2001, the Bank introduced an Internet banking service. The Internet banking service allows our customers to access their loan and deposit accounts through the Internet. Customers are able to obtain transaction history, account information and transfer funds between accounts. In April 2001, bill payment through the Internet was introduced which allows the customer to make various payments. The Bank continues to review and implement new products and delivery channels using information technology.

COMPETITION

The banking business in the Bank's present and intended future market areas is highly competitive with respect to virtually all products and services and has become increasingly so in recent years. While the banking market in the Bank's primary market area is generally dominated by a relatively small number of major banks with many offices operating over a wide geographic area, the Bank's direct competitors in its niche market tend to be similarly sized community banks which also focus their businesses on Korean-American consumers and businesses.

There is a high level of competition within this specific niche. In the greater Los Angeles metropolitan area, the Bank's main competitors are eight locally owned and operated Korean-American banks including a bank which was opened in 2003 and one subsidiary of a South Korean bank. Currently, there is one or more Korean-American banks in the process of forming in the Los Angeles metropolitan area. In 2002, one additional local Korean-American bank servicing Orange County was opened. These banks have branches located in many of the same neighborhoods as the Bank, provide similar types of products and services and use the same Korean language publications and media for their

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marketing purposes. A less significant source of competition in the Los Angeles metropolitan area are a small number of branches of major banks which maintain a limited bilingual staff for Korean-speaking customers. While such banks have not traditionally focused their marketing efforts on the Bank's customer base in Southern California, their competitive influence could increase should they in the future choose to focus on this market.

In Northern California, there are currently one local Korean-American bank, four other branches of Los Angeles-based Korean-American banks including one Korean-American bank branch opened in 2003 and one LPO of a local Korean-American bank as well as branch offices of major or regional commercial banks.

In Seattle, there is one local Korean-American bank serving the banking needs of the local Korean-American community. In addition to the Bank, currently three other Los Angeles-based Korean-American banks operate LPOs in the Seattle area.

In addition to competition from banks in its niche market, the Bank competes with large commercial banks that have, among other advantages, the ability to finance wide-ranging and effective advertising campaigns and to allocate their investment resources to areas of highest yield and demand. Many of the major banks operating in the Bank's market area offer certain services which the Bank does not offer directly (but some of which the Bank offers through correspondent institutions). By virtue of their greater total capitalization, such banks also have substantially higher lending limits (restricted to a percentage of the Bank's total stockholders' equity, depending upon the nature of the loan transaction) than the Bank.

Competitors also include savings institutions, credit unions, and numerous non-banking institutions, such as finance companies, leasing companies, insurance companies, brokerage firms, and investment banking firms. In recent years, increased competition has also developed from specialized finance and non-finance companies that offer money market and mutual funds, wholesale finance, credit card, and other consumer finance services, including on-line banking services and personal finance software. Strong competition for deposit and loan products affects the rates of those products as well as the terms on which they are offered to customers.

To an extent the Bank is affected by more general competitive trends in the industry, those trends are towards increased consolidation and competition.

Strong, unregulated competitors have entered banking markets with focused products targeted at highly profitable customer segments. Many largely unregulated competitors are able to compete across geographic boundaries and provide customers increasing access to meaningful alternatives to banking services in nearly all significant products. Mergers between financial institutions have placed additional pressure on banks within the industry to streamline their operations, reduce expenses, and increase revenues to remain competitive. Competition has also intensified due to federal and state interstate banking laws, which permit banking organizations to expand geographically, and the California market has been particularly attractive to out-of-state institutions. The Financial Modernization Act, which became effective March 11, 2000, makes it possible for full affiliations to occur between banks and securities firms, insurance companies, and other financial companies, and is also expected to intensify competitive conditions. See "Regulation and Supervision-- Financial Modernization Act" below.

Technological innovations have also resulted in increased competition in the financial services industry. Such innovations have, for example, made it possible for non-depository institutions to offer customers automated transfer payment services that previously have been considered traditional banking products. In addition, many customers now expect a choice of several delivery systems and channels, including telephone, mail, home computer, ATMs, self-service branches and/or in-store branches. In addition to other banks, the sources of competition for such hi-tech products include savings associations, credit unions, brokerage firms, money market and other mutual funds, asset management groups, finance and insurance companies, and mortgage banking firms. To some extent the effect of such competition on the Bank is limited by the lack of availability of various technological advancements with Korean language capability. However, as such technology becomes available, the competitive pressure on the Bank to be at the forefront of such advancements is significant.

EMPLOYEES

As of December 31, 2003, the Bank had a total of 280 full time employees and 15 part-time employees. Three of these individuals are KEB employees who are expected to return to KEB after their service at the Bank, and were appointed to their current positions in accordance with KEB's management rotation system. Until consummation of the acquisition of the Bank by Hanmi Financial Corp., KEB intends to continue to have significant involvement in the selection of individuals to fill certain of the Bank's management positions other than the CEO position which has been "localized". See "Risk Factors-Management Rotation."

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REGULATION AND SUPERVISION

GENERAL. The following discussion of statutes and regulations affecting banks is only a summary and does not purport to be complete. This discussion is qualified in its entirety by reference to such statutes and regulations. No assurance can be given that such statutes or regulations will not change in the future.

As a California state-chartered bank whose accounts are insured by the FDIC up to a maximum of \$100,000 per depositor, the Bank is subject to regulation, supervision and regular examination by the Department of Financial Institutions (the "DFI") and the FDIC. In addition, while the Bank is not a member of the Federal Reserve System, it is subject to certain regulations of the Board of Governors of the Federal Reserve (the "FRB"). The regulations of these agencies govern most aspects of the Bank's business, including the making of periodic reports by the Bank, and the Bank's activities relating to dividends, investments, loans, borrowings, capital requirements, certain check-clearing activities, branching, mergers and acquisitions, reserves against deposits and numerous other areas. Supervision, legal action and examination of the Bank by the regulatory agencies are generally intended to protect depositors and are not intended for the protection of stockholders.

The earnings and growth of the Bank are largely dependent on its ability to maintain a favorable differential or "spread" between the yield on its interest-earning assets and the rate paid on its deposits and other interest-bearing liabilities. As a result, the Bank's performance is influenced by general economic conditions, both domestic and foreign, the monetary and fiscal policies of the federal government, and the policies of the regulatory agencies, particularly the FRB. The FRB implements national monetary policies (such as seeking to curb inflation and combat recession) through its open-market operations in the United States Government securities, by adjusting the required level of reserves for financial institutions subject to its reserve requirements and by varying the discount rate applicable to borrowings by banks which are members of the Federal Reserve System. The actions of the FRB in these areas influence the growth of bank loans, investments and deposits and also affect interest rates charged on loans and deposits. The nature and impact of any future changes in monetary policies cannot be predicted.

CAPITAL ADEQUACY REQUIREMENTS. The Bank is subject to the regulations

of the FDIC governing capital adequacy. Those regulations incorporate both risk-based and leverage capital requirements. Each of the federal regulators has established risk-based and leverage capital guidelines for the banks or bank holding companies it regulates, which set total capital requirements and define capital in terms of "core capital elements," or Tier 1 capital; and "supplemental capital elements," or Tier 2 capital. Tier 1 capital is generally defined as the sum of the core capital elements less goodwill and certain other deductions, notably the unrealized net gains or losses (after tax adjustments) on available-for-sale investment securities carried at fair market value. The following items are defined as core capital elements: (i) common stockholders' equity; (ii) qualifying noncumulative perpetual preferred stock and related surplus; and (iii) minority interests in the equity accounts of consolidated subsidiaries. Supplementary capital elements include: (i) allowance for loan and lease losses (but not more than 1.25% of an institution's risk-weighted assets); (ii) perpetual preferred stock and related surplus not qualifying as core capital; (iii) hybrid capital instruments, perpetual debt and mandatory convertible debt instruments; and (iv) term subordinated debt and intermediate-term preferred stock and related surplus. The maximum amount of supplemental capital elements which qualifies as Tier 2 capital is limited to 100% of Tier 1 capital, net of goodwill.

The Bank is required to maintain a minimum ratio of qualifying total capital to total risk-weighted assets of 8.0% ("Total Risk-Based Capital Ratio"), at least one-half of which must be in the form of Tier 1 capital ("Tier 1 Risk-Based Capital Ratio"). Risk-based capital ratios are calculated to provide a measure of capital that reflects the degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets, and transactions, such as letters of credit and recourse arrangements, which are recorded as off-balance sheet items. Under the risk-based capital guidelines, the nominal dollar amounts of assets and credit-equivalent amounts of off-balance sheet items are multiplied by one of several risk adjustment percentages, which range from 0% for assets with low credit risk, such as certain U.S. Treasury securities, to 100% for assets with relatively high credit risk, such as business loans. As of December 31, 2003 and 2002, the Bank's Total Risk-Based Capital Ratios were 13.73% and 15.95%, respectively and its Tier 1 Risk-Based Capital Ratios were 12.63% and 14.70%, respectively.

The federal banking agencies have revised the risk-based capital standards to take adequate account of concentrations of credit (i.e., relatively large proportions of loans involving one borrower, industry, location, collateral or loan type) and the risks of "non-traditional" activities (those that have not customarily been part of the banking business). The regulations require institutions with high or inordinate levels of risk to operate with higher minimum capital standards, and authorize the regulators to review an institution's management of such risks in assessing an institution's capital adequacy.

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The federal banking agencies have also revised the risk-based capital regulations to include exposure to interest rate risk as a factor that the regulators will consider in evaluating a bank's capital adequacy. Interest rate risk is the exposure of a bank's current and future earnings and equity capital arising from adverse movements in interest rates. While interest risk is inherent in a bank's role as financial intermediary, it introduces volatility to bank earnings and to the economic value of the bank.

Banks are also required to maintain a leverage capital ratio designed to supplement the risk-based capital guidelines. Banks that have received the highest rating of the five categories used by regulators to rate banks and are not anticipating or experiencing any significant growth must maintain a ratio of Tier 1 capital (net of all intangibles) to adjusted total assets ("Leverage Capital Ratio") of at least 3%. All other institutions are required to maintain a leverage ratio of at least 100 to 200 basis points above the 3% minimum, for a minimum of 4% to 5%. Pursuant to federal regulations, banks must maintain capital levels commensurate with the level of risk to which they are exposed, including the volume and severity of problem loans, and federal regulators may, however, set higher capital requirements when a bank's particular circumstances warrant. As of December 31, 2003 and 2002, the Bank's Leverage Capital Ratios were 10.62% and 11.56%, respectively.

PROMPT CORRECTIVE ACTION PROVISIONS

Federal law requires each federal banking agency to take prompt corrective action to resolve the problems of insured financial institutions, including but not limited to those that fall below one or more prescribed minimum capital ratios. The federal banking agencies have by regulation defined the following five capital categories: "well capitalized" (Total Risk-Based Capital Ratio of 10%; Tier 1 Risk-Based Capital Ratio of 6%; and Leverage Ratio of 5%) and not subject to any regulatory order, agreement or directive; "adequately capitalized" (Total Risk-Based Capital Ratio of 8%; Tier 1 Risk-Based Capital Ratio of 4%; and Leverage Ratio of 4%) (or 3% if the institution receives the highest rating from its primary regulator); "undercapitalized" (Total Risk-Based Capital Ratio of less than 8%; Tier 1

Risk-Based Capital Ratio of less than 4%; or Leverage Ratio of less than 4%) (or 3% if the institution receives the highest rating from its primary regulator); "significantly undercapitalized" (Total Risk-Based Capital Ratio of less than 6%; Tier 1 Risk-Based Capital Ratio of less than 3%; or Leverage Ratio less than 3%); and "critically undercapitalized" (tangible equity to total assets less than 2%). A bank may be treated as though it were in the next lower capital category if after notice and the opportunity for a hearing, the appropriate federal agency finds an unsafe or unsound condition or practice so warrants, but no bank may be treated as "critically undercapitalized" unless its actual capital ratio warrants such treatment. Until the FDIC consent order was lifted in February 2004, although the Bank met the minimum total risk-based, Tier I risk based and Tier 1 leverage ratios to be considered well-capitalized, because it was subject to a consent order concerning its BSA deficiencies, it was not considered to be well-capitalized. (See Item 3. "Legal Proceedings")

At each successively lower capital category, an insured bank is subject to increased restrictions on its operations. For example, a bank is generally prohibited from paying management fees to any controlling persons or from making capital distributions if to do so would make the bank "undercapitalized." Asset growth and branching restrictions apply to undercapitalized banks, which are required to submit written capital restoration plans meeting specified requirements (including a guarantee by the parent holding company, if any). "Significantly undercapitalized" banks are subject to broad regulatory authority, including among other things, capital directives, forced mergers, restrictions on the rates of interest they may pay on deposits, restrictions on asset growth and activities, and prohibitions on paying certain bonuses without FDIC approval. Even more severe restrictions apply to critically undercapitalized banks. Most importantly, except under limited circumstances, not later than 90 days after an insured bank becomes critically undercapitalized, the appropriate federal banking agency is required to appoint a conservator or receiver for the bank.

In addition to measures taken under the prompt corrective action provisions, insured banks may be subject to potential actions by the federal regulators for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation or any condition imposed in writing by the agency or any written agreement with the agency. Enforcement actions may include the issuance of cease and desist orders, termination of insurance of deposits (in the case of a bank), the imposition of civil money penalties, the issuance of directives to increase capital, formal and informal agreements, or removal and prohibition orders against "institution-affiliated" parties.

SAFETY AND SOUNDNESS STANDARDS

The federal banking agencies have adopted final guidelines establishing safety and soundness standards for all insured depository institutions. Those guidelines relate to internal controls, information systems, internal audit systems, loan underwriting and documentation, compensation and interest rate exposure. In general, the standards are designed to

assist the federal banking agencies in identifying and addressing problems at insured depository institutions before capital becomes impaired. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to submit a compliance plan and institute enforcement proceedings if an acceptable compliance plan is not submitted.

PREMIUMS FOR DEPOSIT INSURANCE

The FDIC has adopted final regulations implementing a risk-based premium system, whereby insured depository institutions are required to pay insurance premiums depending on their risk classification. Under this system, institutions such as the Bank which are insured by the Bank Insurance Fund ("BIF"), are categorized into one of three capital categories (well capitalized, adequately capitalized, and undercapitalized) and one of three supervisory categories based on federal regulatory evaluations. The three supervisory categories are: financially sound with only a few minor weaknesses (Group A), demonstrates weaknesses that could result in significant deterioration (Group B), and poses a substantial probability of loss (Group C). The capital ratios used by the FDIC to define well capitalized, adequately capitalized and undercapitalized are the same in the FDIC's prompt corrective action regulations. The current BIF base assessment rates (expressed as cents per \$100 of deposits) are summarized as follows:

<TABLE>
<CAPTION>

	Group A	Group B	Group C
	-----	-----	-----
<S>	<C>	<C>	<C>
Well Capitalized.....	0	3	17
Adequately Capitalized.....	3	10	24
Undercapitalized.....	10	24	27

</TABLE>

In addition, BIF member banks (such as the Bank) must pay an amount which fluctuates but is currently 1.54 basis points, or cents per \$100 of insured deposits, towards the retirement of the Financing Corporation bonds issued in the 1980's to assist in the recovery of the savings and loan industry.

COMMUNITY REINVESTMENT ACT

The Bank is subject to certain requirements and reporting obligations involving Community Reinvestment Act ("CRA") activities. The CRA generally requires the federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low and moderate income neighborhoods. The CRA further requires the agencies to take a financial institution's record of meeting its community credit needs into account when evaluating applications for, among other things, domestic branches, consummating mergers or acquisitions, or holding company formations. In measuring a bank's compliance with its CRA obligations, the regulators now utilize a performance-based evaluation system which bases CRA ratings on the bank's actual lending service and investment performance, rather than on the extent to which the institution conducts needs assessments, documents community outreach activities or complies with other procedural requirements. In connection with its assessment of CRA performance, the FDIC assigns a rating of "outstanding," "satisfactory," "needs to improve" or "substantial noncompliance." The Bank was last examined for CRA compliance in April 2001 and received an "outstanding" CRA Assessment Rating.

OTHER CONSUMER PROTECTION LAWS AND REGULATIONS

The bank regulatory agencies are increasingly focusing attention on compliance with consumer protection laws and regulations. Examination and enforcement has become intense, and banks have been advised to carefully monitor compliance with various consumer protection laws and their implementing regulations. The federal Interagency Task Force on Fair Lending issued a policy statement on discrimination in home mortgage lending describing three methods that federal agencies will use to prove discrimination: overt evidence of discrimination, evidence of disparate treatment, and evidence of disparate impact. In addition to CRA and fair lending requirements, the Bank is subject to numerous other federal consumer protection statutes and regulations. Due to heightened regulatory concern related to compliance with consumer protection laws and regulations generally, the Bank may incur additional compliance costs or be required to expend additional funds for investments in the local communities it serves.

INTERSTATE BANKING AND BRANCHING

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act") regulates the interstate activities of banks and bank holding companies and establishes a framework for nationwide interstate banking and branching. Since June 1, 1997, a bank in one state has generally been permitted to merge with a

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bank in another state without the need for explicit state law authorization. However, states were given the ability to prohibit interstate mergers with banks in their own state by "opting-out" (enacting state legislation applying equality to all out-of-state banks prohibiting such mergers) prior to June 1, 1997.

Since 1995, adequately capitalized and managed bank holding companies have been permitted to acquire banks located in any state, subject to two exceptions: first, any state may still prohibit bank holding companies from acquiring a bank which is less than five years old; and second, no interstate acquisition can be consummated by a bank holding company if the acquirer would control more than 10% of the deposits held by insured depository institutions nationwide or 30% percent or more of the deposits held by insured depository institutions in any state in which the target bank has branches.

A bank may establish and operate de novo branches in any state in which the bank does not maintain a branch if that state has enacted legislation to expressly permit all out-of-state banks to establish branches in that state.

In 1995 California enacted legislation to implement important provisions of the Interstate Banking Act discussed above and to repeal California's previous interstate banking laws, which were largely preempted by the Interstate Banking Act.

The changes effected by Interstate Banking Act and California laws have increased competition in the environment in which the Bank operates to the extent that out-of-state financial institutions directly or indirectly enter the Bank's market areas. It appears that the Interstate Banking Act has contributed to the accelerated consolidation of the banking industry. While many large out-of-state banks have already entered the California market as a result of this legislation, it is not possible to predict the precise impact of this legislation on the Bank and the competitive environment in which it operates.

FINANCIAL MODERNIZATION ACT

Effective March 11, 2000, the Gramm-Leach-Bliley Act eliminated most barriers to affiliations among banks and securities firms, insurance companies, and other financial service providers, and enabled full affiliations to occur between such entities. This legislation permits bank holding companies to become "financial holding companies" and thereby acquire securities firms and insurance companies and engage in other activities that are financial in nature. A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized under the FDICIA prompt corrective action provisions, is well managed, and has at least a satisfactory rating under the CRA by filing a declaration that the bank holding company wishes to become a financial holding company. No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the FRB.

The Gramm-Leach-Bliley Act defines "financial in nature" to include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Board has determined to be closely related to banking. A national bank (and therefore, a state bank as well) may also engage, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting, insurance company portfolio investment, real estate development and real estate investment, through a financial subsidiary of the bank, if the bank is well capitalized, well managed and has at least a satisfactory CRA rating. Subsidiary banks of a financial holding company or national banks with financial subsidiaries must continue to be well capitalized and well managed in order to continue to engage in activities that are financial in nature without regulatory actions or restrictions, which could include divestiture of the financial in nature subsidiary or subsidiaries. In addition, a financial holding company or a bank may not acquire a company that is engaged in activities that are financial in nature unless each of the subsidiary banks of the financial holding company or the bank has a CRA rating of satisfactory or better. The Gramm-Leach-Bliley Act also imposes significant requirements on financial institutions with respect to the privacy of customer information, and modifies other existing laws, including those relating to community reinvestment.

USA PATRIOT ACT OF 2001

On October 26, 2001, President Bush signed the USA Patriot Act of 2001 (the "USA Patriot Act"). Enacted in response to the terrorist attacks in New York, Pennsylvania and Washington, D.C. on September 11, 2001, the Patriot Act is intended to strengthen U.S. law enforcement's and the intelligence communities' ability to work cohesively to combat terrorism on a variety of fronts. The potential impact of the USA Patriot Act on financial

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institutions of all kinds is significant and wide ranging. The Act contains sweeping anti-money laundering and financial transparency laws and requires various regulations applicable to financial institutions, including:

- i. due diligence requirements for financial institutions that administer, maintain, or manage private banks accounts or correspondent accounts for non-U.S. persons;
- ii. standards for verifying customer identification at account opening;
- iii. rules to promote cooperation among financial institutions, regulators, and law enforcement entities in identifying parties that may be involved in terrorism or money laundering.

During 2002, the Federal Crimes Enforcement Network (FinCEN), a bureau of the Department of Treasury, issued regulations to implement various provisions of the Patriot Act. The Bank has been implementing the requirements of the Patriot Act since 2001. Compliance with such requirements has substantially been effected in connection with strengthening the Bank's BSA compliance procedures which it was otherwise required to do, and as such did not involve any material additional expenditures to comply with the USA Patriot Act specifically. The actions taken to enhance BSA compliance are described in detail in "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Noninterest Expense."

SARBANES-OXLEY ACT OF 2002

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Sarbanes-Oxley Act represents a comprehensive revision of laws affecting corporate governance, accounting

obligations and corporate reporting. The Sarbanes-Oxley Act is applicable to all companies with equity or debt securities registered under the Exchange Act. In particular, the Sarbanes-Oxley Act establishes:

- i. new requirements for audit committees, including independence, expertise, and responsibilities;
- ii. additional responsibilities regarding financial statements for the chief executive officer and chief financial officer of the reporting company;
- iii. new standards for auditors and regulation of audits;
- iv. increased disclosure and reporting obligations for the reporting company and their directors and executive officers and;
- v. new and increased civil and criminal penalties for violation of the securities laws.

Although we have anticipated that we will continue to incur additional expense in complying with the provisions of the Sarbanes-Oxley Act and the resulting regulations, management does not expect that such compliance will have a material impact on our results of operations or financial condition.

The Sarbanes-Oxley Act generally prohibits loans by a public company to its executive officers and directors. However, the Act contains a specific exception from such prohibitions for loans by a bank to its executive officers and directors in compliance with federal banking regulations restrictions on such loans. The Bank's authority to extend credit to affiliates, is also governed by federal law. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and that do not involve more than normal risk of repayment.

FAIR AND ACCURATE CREDIT TRANSACTION ACT

In December 2003, President Bush signed into law the Fair and Accurate Credit Transaction Act ("FACT ACT") which sets new obligations for financial firms to help deter identity theft and give consumers more control of their credit data. It also reauthorizes a federal ban on state laws that interfere with corporate credit granting and marketing practices. The Federal Reserve Bank ("FRB") and the Federal Trade Commission ("FTC") are required to draft regulations to implement the FACT ACT. It is not possible at this time to determine the impact of such regulations that are to be drafted; however, the FRB and FTC recently announced that businesses will have until December 1, 2004

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to comply the new initiatives.

OTHER PENDING AND PROPOSED LEGISLATION

Other legislative and regulatory initiatives which could affect the Bank and the banking industry in general are pending, including an initiative that would permit the payment of interest on business checking accounts, and additional initiatives may be proposed or introduced, before the United States Congress, the California legislature and other governmental bodies in the future. Such proposals, if enacted, may further alter the structure, regulation and competitive relationship among financial institutions, and may subject the Bank to increased regulation, disclosure and reporting requirements. In addition, the various banking regulatory agencies often adopt new rules and regulations to implement and enforce existing legislation. It cannot be predicted whether, or in what form, any such legislation or regulations may be enacted or the extent to which the business of the Bank would be affected thereby.

RISK FACTORS

You should carefully consider the following risk factors and all other information contained in this annual report on Form 10-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial also may impair our business. If any of the events described in the following risk factors occur, our business, results of operations and financial condition could be materially adversely affected. In addition, the trading price of our common stock could decline due to any of the events described in these risks.

RISKS RELATED TO THE MERGER

BECAUSE THE MARKET PRICE OF HANMI COMMON STOCK MAY FLUCTUATE, PUB STOCKHOLDERS CANNOT BE SURE OF THE VALUE OF THE MERGER CONSIDERATION THAT THEY MAY RECEIVE.

Upon completion of the merger, each share of the Bank's common stock

will be converted into merger consideration consisting of shares of Hanmi common stock, pursuant to the terms of the merger agreement. The value of the merger consideration to be received by the Bank's stockholders and the exchange ratio used to determine the number of shares of Hanmi common stock they will receive upon completion of the merger will be based, in part, on the average of the daily volume weighted average sale price of Hanmi common stock during the five day period ending on the day prior to the completion of the merger. This average price may vary from the price of Hanmi common stock on the date the merger was announced, on the date of this document, on the date of the special meetings and on the date of the completion of the merger. Accordingly, at the time of the special meeting, the Bank's stockholders will not necessarily know or be able to calculate the value of the merger consideration or the exchange ratio.

Any change in the price of Hanmi common stock prior to completion of the merger will affect the value of the merger consideration that you will receive upon completion of the merger, except that if Hanmi's stock price drops to between \$19.00 and \$17.50, or if Hanmi's stock price increases to between \$25.00 and \$26.50, the value of the merger consideration will remain the same throughout those respective ranges. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control. Neither of the Bank or Hanmi is permitted to terminate the merger agreement or resolicit the vote of its respective stockholders solely because of changes in the market price of either of the Bank or Hanmi's common stocks.

HANMI MAY FAIL TO REALIZE THE ANTICIPATED BENEFITS OF THE MERGER.

The success of the merger will depend on, among other things, Hanmi's ability to realize anticipated cost savings and revenue enhancements and to combine the business of its subsidiary the Bank and Hanmi Bank in a manner that permits growth opportunities to occur and that does not materially disrupt the existing customer relationships of the Bank or result in decreased revenues resulting from any loss of customers. If Hanmi is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully, or at all, or may take longer to realize than expected.

The Bank and Hanmi have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of the Bank's or Hanmi's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely

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affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger.

UNCERTAINTY REGARDING THE MERGER MAY RESULT IN THE LOSS OF THE EMPLOYEES AND CUSTOMERS OF HANMI AND PUB PRIOR TO THE COMPLETION OF THE MERGER.

Employees of the Bank and Hanmi may experience uncertainty about their future role with the combined company. This may adversely affect the ability of the combined company to retain and attract key management and other personnel. Similarly, uncertainty regarding the merger may cause customers of Hanmi and PUB to withdraw their business prior to the completion of the merger. Any loss of the Bank's or PUB's customers could have a material adverse effect on the Bank's or PUB's respective business, regardless of whether or not the merger is ultimately completed. There can be no assurance that customers of each of Hanmi or PUB will continue their business without regard to the proposed merger.

THE BANK AND HANMI MAY BE SUBJECT TO ADVERSE REGULATORY CONDITIONS.

Before the merger may be completed, various approvals must be obtained from, or notifications submitted to, the Board of Governors of the Federal Reserve System and the California Department of Financial Institutions. Some of the governmental authorities from whom those approvals must be obtained may impose conditions on the completion of the merger or require changes in the terms of the merger. These conditions or changes could have the effect of delaying the merger or imposing additional costs or limiting the possible revenues of the combined company.

FUTURE SALES OF COMMON STOCK BY HANMI'S EXISTING STOCKHOLDERS COULD CAUSE ITS STOCK PRICE TO DECLINE.

After the completion of the merger, the holders of approximately 3,947,369 shares of Hanmi's common stock issued in the private placement will have rights, subject to certain conditions, to require Hanmi to file registration statements covering the resale of their shares to the public. By exercising these registration rights and selling a large number of shares, these holders could cause the price of Hanmi's common stock to decline. Further, those sales could impair Hanmi's ability to raise needed capital by depressing the price at which it can sell its common stock.

OTHER RISKS RELATED TO THE BANK

DETERIORATION OF ECONOMIC CONDITIONS IN SOUTHERN CALIFORNIA COULD ADVERSELY AFFECT THE BANK'S LOAN PORTFOLIO AND REDUCE THE DEMAND FOR THE BANK'S SERVICE.

The Bank focuses its business in Southern California, primarily in the greater Los Angeles and Orange County areas. As a result, poor economic conditions in Southern California could cause the Bank to incur losses associated with higher default rates and deteriorated collateral values in the Bank's loan portfolio. The Los Angeles area has experienced a downturn in economic activity in line with the slowdown in California since 2001. Economic activity slowed significantly immediately following the September 11, 2001 terrorist attacks. Unemployment levels have increased since mid 2001, especially in Los Angeles and Orange County, which is the geographic center and base of deposit and lending activity for the Bank. In the early 1990's, the California economy experienced an economic recession that increased the level of delinquencies and losses for the Bank and many of state's other financial institutions. Continuing deteriorating economic conditions in Southern California could have the following consequences, any of which could reduce the Bank's net income:

- loan delinquencies may increase;
- problem assets and foreclosure may increase;
- claims and lawsuits may increase;
- demand for the Bank's products and services may decline; and
- collateral for loans made by the Bank, especially real estate, may decline in value, in turn reducing customers' borrowing power, reducing the value of assets associated with problem loans and reducing collateral coverage of the Bank's existing loans.

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THE BANK COULD BE NEGATIVELY IMPACTED BY A DOWNTURN IN ECONOMIC CONDITIONS IN ASIA.

The Bank has made loans to companies that are subsidiaries of companies domiciled in Korea and, often, these loans are guaranteed by or dependent upon the Korean parent company. Consequently, the Bank may have exposure to economic conditions in Asia. Adverse economic and political conditions in Asia, including currency devaluation, crises in leadership succession, or military conflict, may increase the Bank's exposure to economic and transfer risk. Transfer risk may increase because of an entity's incapacity to obtain the foreign exchange needed to meet its obligations or to provide liquidity. Although the Bank's obligations have not been adversely affected by the fiscal crisis in Asia which began in 1998, we cannot assure you that this crisis or in a similar crisis the Bank's financial condition and results of operations would not be negatively impacted.

In addition, because a significant portion of the Bank's customer base is Korean-American, the Bank has historically had exposure to the economy of South Korea with respect to certain of its loans and credit transactions. Such exposure has consisted of (1) extensions of credit to banks in South Korea in the form of letter of credit discount transactions; (2) loans to borrowers in the U.S. secured by stand-by letters of credit issued by banks in South Korea and (3) loans to U.S. affiliates/subsidiaries of companies in South Korea.

South Korea's economy is currently recovering from the same fiscal crisis affecting most of Asia which began in 1998. In addition to the three types of credit extensions described above, the Bank has historically issued performance letters of credit on behalf of certain large internationally-known Korean companies in connection with such companies' transactions in the U.S. The Bank has not experienced any losses with respect to such letters of credit over the past six years, and all of the customers for whom such letters of credit have been issued are substantial depositors which have typically maintained balances in excess of the amounts of such letter of credit. Notwithstanding the Bank's efforts to minimize its exposure to downturns in the Korean economy with respect to the above-described credit extensions, there can be no assurance that the combined company's efforts will be successful, and another significant downturn in the Korean economy could result in significant credit losses for the Bank.

In addition to credit risks, because the Bank's respective customer base is largely Korean-American, the Bank's deposit base could significantly decrease as a result of a deterioration of the Korean economy. We believe that this may result because some of the Bank's customers may need funds for their local businesses which may be impacted by the Korean economy, or may temporarily withdraw deposits in order to transfer funds and benefit from gains on foreign exchange and interest rates and/or to help relatives or affiliated companies in South Korea during downturns in the Korean economy. A significant decrease in the Bank's deposits could also have a material adverse effect on the financial

condition and result of operations of the Bank.

BORROWERS' INABILITY TO PAY THEIR COMMERCIAL REAL ESTATE LOANS MAY HAVE A MATERIAL IMPACT ON THE BANK.

Approximately \$544.5 million or 62.4% of the Bank's loan portfolio at December 31, 2003, and \$395.8 million or 57.9% of the Bank's loan portfolio at December 31, 2002 were concentrated in commercial real estate loans. Although commercial loans generally provide for higher interest rates and shorter terms than single family residential loans, such loans generally involve a higher degree of risk, as the ability of borrowers to repay these loans is often dependent upon the profitability of the borrowers; businesses. An increase in the percentage of nonperforming assets in the Bank's commercial real estate, commercial and industrial loan portfolio may have a material impact on the Bank's financial condition and results of operations.

THE BANK HAS SPECIFIC RISKS ASSOCIATED WITH SMALL BUSINESS ADMINISTRATION LOANS.

The Bank has generally sold the guaranteed portion of Small Business Administration ("SBA") loans in the secondary market. There can be no assurance that the Bank will be able to continue originating these loans, or that a secondary market will exist for, or that the Bank will continue to realize premiums upon the sale of, the guaranteed portions of the SBA loans. The federal government presently guarantees 75% to 85% of the principal amount of each qualifying SBA program, but there can be no assurance that such guaranteed portion will remain at its current funding level. Furthermore, there can be no assurance that the Bank will retain its preferred lender status, which, subject to certain limitations, allows the Bank to approve and fund SBA loans without the necessity of having the loan approved in advance by the SBA, or that if it does, the federal government will not reduce the amount of such loans which can be made by the Bank.

The Bank believes that its SBA loan portfolio does not involve more than a normal risk of collection. However, since the Bank has sold the guaranteed portion of substantially all of its SBA loan portfolio, the Bank incurs a pro rata

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credit risk on the nonguaranteed portion of the SBA loans since the Bank shares pro rata with the SBA in any recoveries. In the event of default on an SBA loan, the Bank's pursuit of remedies against a borrower is subject to SBA approval, and where the SBA establishes that its loss is attributable to deficiencies in the manner in which the loan application has been prepared and submitted, the SBA may decline to honor its guarantee with respect to the Bank's SBA loans or it may seek the recovery of damages from the Bank.

THE BANK IS EXPOSED TO THE RISKS OF NATURAL DISASTER.

The Bank's operations are concentrated in Southern California, especially the greater Los Angeles and Orange County areas. A significant percentage of its loans are secured by real estate. California is prone to earthquakes, fires, flooding and other natural disasters. The Bank has a disaster recovery plan with offsite data processing resources. A major earthquake could result in material loss to the Bank. However, the Bank's properties, and most of the real and personal property securing loans in the Bank's portfolios, are in Southern California. Many of the Bank's borrowers could suffer uninsured property damage, experience interruption of their business or lose their jobs after an earthquake, major fire or flood or other natural disaster. Those borrowers might not be able to repay their loans, and the collateral for loans could decline significantly in value. Unlike a bank with operations that are more geographically diversified, the Bank will be vulnerable to greater losses if an earthquake, fire, flood or other natural catastrophe occurs in Southern California.

DIVIDENDS

The Bank paid cash dividends of \$0.05 per common share in May, August and November of 2003 and in February of 2004. The decision to pay cash dividends in the future is solely within the discretion of the Bank's Board of Directors, subject to compliance with legal and regulatory requirements. The Bank's ability to pay cash dividends in the future will depend on the Bank's profitability, growth and capital needs. No assurance can be given whether or in what amounts any dividends will be declared or whether any such dividends, once declared, will continue to be paid in subsequent years.

MANAGEMENT ROTATION

Prior to the Bank's initial public offering, KEB had traditionally appointed certain members of the Bank's senior management team pursuant to a rotation system whereby KEB assigned selected employees from KEB to work at the Bank for a temporary period. Such employees returned to KEB after completion of their assignment at the Bank. Since the initial public offering, KEB has agreed to "localize" the CEO position and has reduced the total number of KEB seconded

officers serving at the Bank. KEB's remaining involvement in the selection of management could result in a lesser degree of management continuity and knowledge of local market conditions than would be the case for a locally-owned and operated institution, and could therefore have an adverse impact on the Bank's operations. Upon consummation of the pending acquisition of the Bank by Hanmi Financial Corp., however, KEB's management rotation system will cease.

MANAGEMENT OF GEOGRAPHIC EXPANSION

The Bank's current business strategy includes expanding its operations geographically into select metropolitan areas with large Korean-American populations through the acquisition or opening of new branches and LPO's. In July 2001, the Bank opened its Silicon Valley office as a full service branch office and closed its San Jose LPO, which was opened in July 2000 in San Jose, Northern California. In May 2000 the Bank opened its first LPO, which is located in the greater Seattle area. If the acquisition of the Bank by Hanmi Financial Corp. does not occur, anticipated future growth outside of the Bank's current market area could place extra demands on the Bank's Management, personnel, systems, asset quality, earnings, policies and procedures and present problems not faced when the Bank concentrated its branch network within a relatively concentrated geographic area. There can be no assurance that the Bank will be able to make all adjustments necessary to employ and retain personnel with adequate training and experience to manage the anticipated geographical expansion of the Bank which will necessitate, among other things, developing knowledge and expertise in new markets and familiarity with the laws and regulations of other states. The failure to manage such geographic expansion effectively could have a material adverse effect on the Bank's business, cash flows, financial condition and results of operations. See "Item 1. Business__ General".

LOAN LOSS ALLOWANCE MAY NOT COVER ACTUAL LOAN LOSSES

The Bank maintains an allowance for loan losses at a level which it believes is adequate to absorb any inherent

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losses in its loan portfolio. However, changes in economic, operating and other conditions may cause its actual loan losses to exceed its current allowance estimates. For the foreseeable future, the Bank anticipates that the allowance for loan losses will remain approximately at current levels. No assurance can be given that the amounts of the required provisions for loan losses will in fact correspond to such projections, that the actual loan growth will be consistent with projections, or that the Bank may not sustain unexpected credit deterioration or losses which would increase the required amount of the provisions, thereby adversely affecting the Bank's earnings. See Item 7. "Management Discussion and Analysis of Financial Condition and Results of Operation -- Provision for Loan Losses" and "Nonperforming Assets -- Allowance for Loan Losses."

In addition, the FDIC and the Department of Financial Institutions, as an integral part of their respective supervisory functions, periodically review the Bank's allowance for loan losses. These regulatory agencies may require the Bank to increase its provision for loan losses or to recognize further loan charge-offs, based upon judgments different from those of management. Any increase in the Bank's allowance required by the FDIC or the Department of Financial Institutions could adversely affect the Bank.

SHARES AVAILABLE FOR FUTURE SALE

If the merger of the Bank and Hanmi Financial Corp. does not occur, the future sale of a substantial number of shares of Common Stock by KEB, or by the Trust into which KEB has transferred its shares, or the perception that such sales could occur, could have an adverse effect on the market

POTENTIAL STATE TAX LIABILITY

The Bank pays California state franchise taxes on the taxable income allocated from the combined taxable income of KEB's branches and affiliates in the United States, including the Bank, using the apportionment factors of California property, payroll and revenues over combined property, payroll and revenue of KEB's branches and its affiliates in the United States under the Water's Edge Unitary method, which applies if KEB owns more than a 50% interest in the Bank. To the extent that the Bank's taxable income, as a percentage of the combined taxable income, is more or less than the apportionment percentage, the actual California franchise tax liability and expense of the Bank may be higher or lower than if the Bank were not part of the combined KEB group. It is possible that the Bank could have no taxable income in a particular year, but that based on the taxable income of the other entities in the group, the Bank's state tax liability could be substantial. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" ___ "Provision for Income Taxes" and "Taxation."

COMPETITION

The banking business in the Bank's current and intended future market areas is highly competitive with respect to virtually all products and services. While the California banking market in general is dominated by a relatively small number of major banks with many offices operating over a wide geographic area, the Bank's direct competitors in its Southern California niche market currently consist primarily of eight locally owned and operated Korean-American banks and one subsidiary of a South Korean bank which focus their businesses on Korean-American consumers and businesses. There is a high level of competition within this specific niche. While major banks have not historically focused their marketing efforts on the Bank's Korean-American customer base in Southern California, their competitive influence could increase in the future. Similar competitive factors exist in the Bank's other existing and potential geographical markets, except that more of the Bank's competition outside of Southern California comes from major or regional banks. In addition to competitive factors impacting its specific market niche, the Bank is affected by more general competitive trends in the banking industry, including intra-state and interstate consolidation, competition from non-bank sources and technological innovations. Many of the Bank's competitors have advantages over the Bank in conducting certain businesses and providing certain services, and there can be no assurance that the Bank will be able to successfully compete in its current markets or markets into which it expands. See Item 1. "Business Competition."

MONETARY POLICY AND ECONOMIC CONDITIONS

The Bank's net income depends to a large extent on its ability to maintain a favorable differential or "spread" between the rates earned on its loans and other interest-earning assets and the rates paid on its deposits and other interest-bearing liabilities. These rates are highly sensitive to many factors that are beyond the Bank's control, including general economic conditions and the policies of various governmental and regulatory agencies, in particular the Board of Governors of the Federal Reserve System. In addition, future adverse economic conditions or changes in regulatory policies or procedures could make a higher provision for loan losses prudent and could cause higher loan charge-offs,

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thus adversely affecting the Bank's net earnings. See Item 1. "Business--Regulation and Supervision" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations--Market Risk/Interest Rate Risk Management."

GOVERNMENT REGULATION AND LEGISLATION

The Bank is subject to extensive state and federal regulation, supervision and legislation, and the laws that govern the Bank and its operations are subject to change from time to time. These laws and regulations increase the cost of doing business and have an adverse impact on the Bank's ability to compete efficiently with other financial service providers that are not similarly regulated. Changes in regulatory policies or procedures could result in Management determining that a higher provision for loan losses was necessary and could cause higher loan charge-offs, thus adversely affecting the Bank's net earnings. There can be no assurance that future regulation or legislation will not impose additional requirements and restrictions on the Bank in a manner that will adversely affect its results of operations, cash flows, financial condition and prospects.

ITEM 2. PROPERTIES

Pacific Union Bank's principal office is located at 3530 Wilshire Boulevard, #1800, Los Angeles, California. The office is leased pursuant to a 10-year term lease which expires on December 9, 2008 plus an option to renew for a term of five years. The following table sets forth information about the Bank's owned and leased properties:

<TABLE> <CAPTION>				
NAME	LOCATION	USE OF FACILITIES	OWNED/LEASED	
----	-----	-----	-----	
-				
<S>	<C>	<C>	<C>	
Corporate Headquarters	3530 Wilshire Boulevard, #1800, Los Angeles, California	Main Office	Leased	
Wilshire Office	3327 Wilshire Boulevard, Los Angeles, California	Branch Office	Leased	
Olympic Office	3099 Olympic Boulevard, Los Angeles, California	Branch Office(1)	Owned	
San Francisco Office	1491 Webster Street, San Francisco, California	Branch Office	Leased	
Western Office	928 South Western Avenue, Los Angeles, California	Branch Office(2)	Leased	
Garden Grove Office	9122 Garden Grove Boulevard, Garden Grove, California	Branch Office	Owned	

Vermont Office	933 South Vermont Avenue, Los Angeles, California	Branch Office(3)	Owned
Downtown Office	401 East 11th Street, Suite 207, Los Angeles, California	Branch Office	Leased
Van Nuys Office	114427 Sherman Way, Van Nuys, California	Branch Office	Leased
Torrance Office	21838 Hawthorne Boulevard, Torrance, California	Branch Office	Leased
Rowland Heights Office	18399 East Colima Road, Rowland Heights, California	Branch Office	Leased
Cerritos Office	11900 South Street, #109, Cerritos, California	Branch Office	Leased
Silicon Valley Office	3402 El Camino Real, Santa Clara, California	Branch Office	Leased

- (1) International Department is located at this facility
(2) Consumer Loan Center is located at this facility
(3) SBA Department is located at this facility

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Bank is a party to claims and legal proceedings arising in the ordinary course of business. Currently, however, there are no pending legal proceedings or substantial threatened claims against the Bank. Moreover, on February 25, 2004, the FDIC terminated the Consent Order to Cease and Desist which had been issued against the Bank on April 4, 2002. The April 4, 2002 Consent Order had required correction of certain Bank Secrecy Act ("BSA") compliance deficiencies which the Bank has fully implemented.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

MARKET INFORMATION

The Bank's common stock is traded on the Nasdaq National Market under the symbol "PUBB." Previously, all of the capital stock of the Bank was owned by KEB, which now beneficially owns approximately 62.0% of the Bank's outstanding common stock. See "Item 1 -- Business" herein. Trading in the Common Stock of the Bank has not been extensive and such trades cannot be characterized as amounting to an active trading market. Management is aware of the following securities dealers which make a market in the Bank's stock: Sandler O'Neill & Partners, L.P., New York, New York; Hoefer & Arnett, San Francisco, California; and Wedbush Morgan Securities, Inc., Los Angeles, California ("the Securities Dealers").

The following table summarizes trades of the Bank's Common Stock for the last two fiscal years setting forth the approximate high and low sales prices of trading for the periods indicated, based upon information provided by the Securities Dealers. The information in the following table does not include trading activity between dealers.

<TABLE>
<CAPTION>

CALENDAR QUARTER ENDED	SALE PRICE OF THE BANK'S COMMON STOCK		TRADING VOLUME
	HIGH	LOW	Shares
<S>	<C>	<C>	<C>
March 31, 2002(1).....	10.26	9.04	295,600
June 30, 2002.....	17.59	10.27	1,226,300
September 30, 2002.....	18.20	11.01	758,300
December 31, 2002.....	13.21	9.28	782,800
March 31, 2003.....	12.74	11.16	445,500
June 30, 2003.....	15.46	11.59	1,005,000
September 30, 2003.....	20.98	12.99	933,900

December 31, 2003..... 26.92 18.55 939,700

</TABLE>

HOLDERS

On February 10, 2004, there were approximately 795 beneficial owners of the Common Stock.

DIVIDENDS

Shareholders are entitled to receive dividends only when and if dividends are declared by the Bank's Board of Directors. The Bank paid \$0.05 cash dividends in February 2004 and in May, August and November of 2003 and paid a 12% stock dividend in 2002. Under California law, the Bank may declare a cash dividend out of the Bank's net profits up to the lesser of the Bank's retained earnings or the Bank's net income for the last three (3) fiscal years (less any distributions made to stockholders during such period), or, with the prior written approval of the California Department of Financial Institutions, in an amount not exceeding the greatest of (i) the retained earnings of the Bank, (ii) the net income of the Bank for its last fiscal year, or (iii) the net income of the Bank for its current fiscal year. The payment of any cash dividends by the Bank will depend not only upon the Bank's earnings during a specified period, but

(1) Stock prices have been adjusted to reflect the stock dividend on April 17, 2002

also on the Bank meeting certain capital requirements. See "Item 1 -- Business-- Regulation and Supervision -- Capital Adequacy Requirements" herein.

STOCK PURCHASES

There were no stock repurchases during the fourth quarter of 2003.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below is derived from the audited Financial Statements of the Bank. The selected financial data should be read in conjunction with the audited Financial Statements and notes thereto which appear elsewhere in this Annual Report, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 below.

The selected financial data as of December 31, 2003 and 2002 and for each of the years in the three-year period ended December 31, 2003 is derived from our audited consolidated financial statements and related notes, which are included in this Annual Report. The selected financial data for prior years is derived from our audited consolidated financial statements which are not included in this Annual Report. All per share information has been adjusted for stock splits and dividends declared from time to time.

<TABLE>
<CAPTION>

	AS OF AND FOR THE YEARS ENDED DECEMBER 31,			
	2003	2002	2001	2000
1999	----	----	----	----

			(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>	<C>	<C>
<C>				
SELECTED BALANCE SHEET DATA:				
Total assets	\$ 1,136,403	\$ 936,995	\$ 789,509	\$ 731,822
\$ 595,179				
Cash and due from banks	24,516	24,266	26,074	32,326
40,524				
Federal funds sold	8,500	62,500	42,000	61,600
-				
Federal Home Loan Bank stock	7,851	3,538	1,504	1,414
2,000				
Securities available-for-sale	151,815	64,701	139,662	150,097
143,626				
Securities held-to-maturity	58,864	89,314	-	6,007
11,761				
Total loans	873,206	683,131	572,354	467,807
385,745				
Allowance for loan losses	10,302	8,873	9,467	8,895
8,351				
Other real estate owned	-	-	-	375

-				
Total deposits	862,981	759,995	692,752	646,404
533,120				
Other borrowings	-	-	-	-
-				
Total stockholders' equity	110,683	100,876	89,960	76,299
56,442				
SELECTED STATEMENT OF OPERATIONS DATA:				
Interest income	50,861	46,378	55,276	53,169
39,751				
Interest expense	14,017	13,311	22,204	20,126
13,616				
Net interest income before				
provision for loan losses	36,844	33,067	33,073	33,043
26,135				
Provision for loan losses	1,900	1,100	1,300	1,300
200				
Net interest income after				
provision for loan losses	34,944	31,967	31,773	31,743
25,935				
Noninterest income	13,721	12,645	9,907	9,335
8,224				
Noninterest expense	28,645	25,557	23,396	22,083
20,282				
Income before income taxes	20,020	19,055	18,283	18,995
13,877				
Income tax expense	8,006	7,404	6,711	6,844
5,494				
Net income	12,014	11,651	11,572	12,151
8,383				
Comprehensive income ¹	10,856	10,768	13,603	14,783
5,125				
SHARE DATA:				
Net income per share - basic	\$ 1.13	\$ 1.10	\$ 1.09	\$ 1.32
\$ 1.02				
Net income per share - diluted	\$ 1.12	\$ 1.09	\$ 1.08	\$ 1.32
\$ 1.02				
Book value per share	10.36	9.50	8.48	7.20
6.87				
Cash dividends	0.15	-	-	0.87
0.61				
Weighted average common				
shares outstanding	10,655,349	10,616,017	10,600,306	9,180,807
8,213,334				
Year end shares outstanding	10,686,984	10,621,554	10,606,417	10,597,254
8,213,334				

</TABLE>

(Table continues following page.)

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<TABLE> <CAPTION>	2003	2002	2001	2000
1999	----	----	----	----
----	<C>	<C>	<C>	<C>
<S> <C>				
KEY OPERATING RATIOS:				
PERFORMANCE RATIOS:				
Return on average equity(2)	11.39%	12.40%	13.99%	19.69%
15.05%				
Return on average assets(3)	1.15	1.34	1.41	1.84
1.50				
Interest rate spread(4)	3.00	3.17	2.90	3.75
3.71				
Net interest margin(5)	3.68	4.01	4.28	5.43
5.11				
Efficiency ratio(6)	56.65	55.91	54.44	52.11
59.03				
Net loans(7) to total deposits at year end	99.99	88.72	81.25	70.99
70.79				
Dividend payout ratio(8)	13.30	-	-	65.84
59.64				
Average stockholders' equity to average				
total assets	10.07	10.84	10.08	9.33
9.98				
ASSET QUALITY RATIOS:				
Nonperforming loans to total loans(9)	0.13	0.30	0.88	0.13
1.03				
Nonperforming assets to total loans				

and other real estate owned(10)	0.13	0.30	0.88	0.21
1.03				
Net charge-offs to average total loans	0.06	0.28	0.14	0.17
(0.02)				
Allowance for loan losses to total				
loans at year end	1.18	1.30	1.65	1.90
2.16				
Allowance for loan losses to				
nonperforming loans	904.48	437.96	187.09	1434.68
211.09				
CAPITAL RATIOS:				
Tier 1 capital to average total assets	10.62	11.56	10.77	10.56
10.33				
Tier 1 capital to total risk-weighted assets ..	12.63	14.70	14.82	15.01
14.20				
Total capital to total risk-weighted assets ...	13.73	15.95	16.07	16.26
15.46				

</TABLE>

- -----
(Footnote appears on the following page.)

- (1) Comprehensive income consists of net income and net unrealized gains (losses) on securities available-for-sale.
- (2) Net income divided by average stockholders' equity.
- (3) Net income divided by average total assets.
- (4) Represents the weighted average yield earned on interest-earning assets less the weighted average cost of interest-bearing liabilities.
- (5) Represents net interest income as a percentage of average interest-earning assets.
- (6) Represents noninterest expense as a percentage of the sum of net interest income before provision for loan losses and total noninterest income including securities gains and losses.
- (7) Represents total gross loans less the allowance for loan losses, deferred fees and related costs.
- (8) Represents dividends declared per share divided by net income per share.
- (9) Nonperforming loans consist of nonaccrual loans, loans past due 90 days or more and restructured loans.
- (10) Nonperforming assets consist of nonperforming loans and other real estate owned.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This discussion presents Management's analysis of the financial condition and results of operations of the Bank as of and for each of the years in the three-year period ended December 31, 2003 and includes the statistical disclosures required by SEC Guide 3 ("Statistical Disclosure by Bank Holding Companies"). The discussion should be read in conjunction with the Financial Statements of the Bank and the notes related thereto which appear elsewhere in this Form 10-K Annual Report (see Item 8 below). All share and per share information set forth herein has been adjusted to reflect stock splits and dividends declared.

Statements contained in this report that are not purely historical are forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 as amended, including the Bank's expectations, intentions, beliefs, or strategies regarding the future. All forward looking statements concerning economic conditions, rates of growth, rates of income or values as may be included in this document are based on information available to the Bank on the date noted, and the Bank assumes no obligation to update any such forward looking statements. It is important to note that the Bank's actual results could materially differ from those in such forward-looking statements. Factors that could cause actual results to differ materially from those in such forward looking statements are fluctuations in interest rates, inflation, government regulations, economic conditions and competitive product and pricing pressures in the geographic and business areas in which the Bank conducts its operations.

CRITICAL ACCOUNTING POLICIES

The Bank's financial statements are prepared in accordance with accounting principles generally accepted in the U.S. The financial information contained within these statements is, to a significant extent, based on approximate measures of the financial effects of transactions and events that have already

occurred. Based on its consideration of accounting policies that involve the most complex and subjective decisions and assessments, Management has identified its most critical accounting policy to be that related to the allowance for loan losses. The Bank's allowance for loan loss methodologies incorporate a variety of risk considerations, both quantitative and qualitative, in establishing an allowance for loan loss that Management believes is appropriate at each reporting date.

Quantitative factors include our historical loss experience, delinquency and charge-off trends, collateral values, changes in nonperforming loans, and other factors. Quantitative factors also incorporate known information about individual loans, including borrowers' sensitivity to interest rate movements and borrowers' sensitivity to quantifiable external factors including commodity and finished good prices as well as acts of nature (earthquakes, floods, fires, etc.) that occur in a particular period.

Qualitative factors include the general economic environment in our markets, including economic conditions in Southern California and in particular, the state of certain industries. Size and complexity of individual credits in relation to lending officers' background and experience levels, loan structure, extent and nature of waivers of existing loan policies and pace of portfolio growth are other qualitative factors that are considered in our methodologies.

As the Bank adds new products, increases the complexity of its loan portfolio, and expands its geographic coverage, it will enhance its methodologies to keep pace with the size and complexity of the loan portfolio. Management might report a materially different amount for the provision for loan losses in the statement of operations to change the allowance for loan losses if its assessment of the above factors were different. This discussion and analysis should be read in conjunction with the Bank's financial statements and the accompanying notes presented elsewhere herein, as well as the portion of this Management's Discussion and Analysis section entitled "- Financial Condition - Allowance for Loan Losses." Although Management believes the level of the allowance as of December 31, 2003 is adequate to absorb losses inherent in the loan portfolio, a decline in the regional economy may result in increasing losses that cannot reasonably be predicted at this time.

In addition to the Bank's policy with respect to the allowance for loan losses, the Bank has identified one additional critical accounting policies as discussed below.

The Bank must make a determination of fair market value ("FMV") for loans held for sale (lower of cost or market), collateral underlying loans, and a variety of matters including our investment portfolio. These FMV's are determined based on consistently applied methods which are accepted within the regulatory environment the Bank operates. Investments are marked to market according to similar or identical financial instruments available in the market at the time of the mark. For all other items, market accepted techniques such as valuations, discounted cash flow and brokers' price opinions are utilized.

GENERAL

The Bank is a community-oriented bank focused on Korean-American niche markets in California. The Bank has grown significantly over the past five years by emphasizing personalized customer service for the Korean-speaking communities which it serves. Total assets have increased by 90.9% over this five year period. See "Item 6 -- Selected Financial Data" herein.

Over the past three years, the Bank has experienced significant balance sheet growth. Total assets increased to \$1.1 billion at December 31, 2003 from \$937.0 million, and \$789.5 million at December 31, 2002 and 2001, respectively, for increases of 21.3% and 18.7% in 2003 and 2002, respectively. Total loans, including loans held for sale, increased to \$873.2 million at December 31, 2003 from \$683.1 million, and \$572.4 at December 31, 2002 and 2001, respectively, for increases of 27.8% and 19.4% in 2003 and 2002, respectively. Total deposits increased to \$863.0 million at December 31, 2002 from \$760.0 million, and \$692.8 million at December 31, 2002 and 2001, respectively, for increases of 13.6% and 9.7% at December 31, 2002 and 2001, respectively. For the year ended December 31, 2003, the Bank realized net income of \$12.0 million or \$1.13 per basic and \$1.12 per diluted share compared to net income of \$11.7 million or \$1.10 per basic and \$1.09 per diluted share for 2002 and \$11.6 million or \$1.09 per basic and \$1.08 per diluted share for 2001. The Bank's return on average equity was 11.39%, 12.40% and 13.99% for the years ended

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December 31, 2003, 2002 and 2001, respectively. The Bank's return on average assets for the same years was 1.15%, 1.34% and 1.41%, respectively.

RESULTS OF OPERATIONS

The Bank's earnings depend largely upon its net interest income, which is the difference between the income received from its loan portfolio and other interest-earning assets and the interest paid on deposits and other liabilities. The net interest income, when expressed as a percentage of average total

interest-earning assets, is referred to as the net interest margin. The Bank's net interest income is affected by the change in the level and the mix of interest-earning assets and interest-bearing liabilities, referred to as volume changes. The Bank's net interest income is also affected by changes in the yields earned on assets and rates paid on liabilities, referred to as rate changes. Interest rates charged on the Bank's loans are affected principally by the demand for such loans, the supply of money available for lending purposes and competitive factors. Those factors are, in turn, affected by general economic conditions and other factors beyond the Bank's control, such as federal economic policies, the general supply of money in the economy, legislative tax policies, governmental budgetary matters and the actions of the FRB.

Net interest income was \$36.8 million, \$33.1 million and \$33.1 million for the years ended December 31, 2003, 2002 and 2001, respectively. The Bank's average interest-earning assets were \$1.0 billion, \$823.8 million and \$773.3 million in 2003, 2002 and 2001, respectively, representing increases of 21.6% and 6.5% in 2003 and 2002, respectively. The yield on interest-earning assets was 5.0%, 5.6% and 7.1% for 2003, 2002 and 2001, respectively, and the proportion of average net loans to average total interest-earning assets was 77.0% in 2003 compared to 72.2% in 2002 and 67.7% in 2001. The Bank's future interest income will largely depend on its ability to originate a sufficient volume of loans in its market areas. There is no assurance that the Bank will be able to sustain satisfactory loan growth in 2004. The ratio of average investment securities to average total interest-earning assets was 15.6% in 2003, compared to 18.8% and 21.2% in 2002 and 2001, respectively. The decreases in the ratio of average investment securities to average total interest-earning assets in 2003 and 2002 were primarily due to sales of available-for-sale investment securities and strong loan growth.

The proportion of low yielding Fed funds sold to total average interest-earning assets decreased to 6.8% for 2003, compared to 8.6% for 2002 and 10.8% for 2001. The weighted average yield on Fed funds sold was 1.1%, 1.6% and 4.0% in 2003, 2002 and 2001, respectively. The yields on Fed funds sold decreased by 49 basis points and 240 basis points to 1.1% and 1.6% during 2003 and 2002, respectively due to decreases in the target weighted average Fed funds rate. The weighted average target Fed funds rate was 1.12%, 1.67% and 3.68% during 2003, 2002 and 2001, respectively.

Interest income on loans increased by \$6.7 million or 18.2% in 2003 compared with 2002 and decreased by \$5.2 million or 12.2% in 2002 compared with 2001. Average net loans, including loans held for sale, increased \$176.5 million to \$771.1 million in 2003 and \$71.3 million to \$594.6 million in 2002 compared to \$523.3 million in 2001. The increase of \$6.7 million is net of an increase in interest income of \$10.3 million resulting from the average volume increase of \$176.5 million offset by a \$3.5 million decrease due to the rate change.

Total interest expense increased by \$706,000 or 5.3% to \$14.0 million in 2003 compared to \$13.3 million in 2002. In 2002, the interest expense decreased by \$8.9 million or 40.1% to \$13.3 million compared to \$22.2 million in 2001. The interest expense increase of \$706,000 resulted from a \$3.2 million increase due to the volume change and was offset by a \$2.5 million decrease due to the rate change of average interest-bearing liabilities. The majority of this increase was attributable to a \$1.3 million increase in interest on FHLB advances and was offset by a \$553,000 decrease in the average balance of other time certificates of deposit.

Total average interest-bearing liabilities were \$696.3 million and \$555.8 million in 2003 and 2002, respectively, representing an increase of 25.3%. The average rate paid on interest-bearing liabilities were 2.0% and 2.4% in 2003 and 2002, respectively. The decrease of 39 bps in average rate paid on interest bearing liabilities in 2003 was primarily the result of the lower interest rate environment and the decrease in the proportion of TCDs over \$100,000 to total interest bearing liabilities.

NET INTEREST MARGIN

The net interest margin for the years ended December 31, 2003, 2002 and 2001 was 3.68%, 4.01% and 4.28%, respectively. The decrease in the net interest margin in 2003 is due to the fact that a substantial portion of the Bank's interest earning assets repriced immediately after a rate change whereas interest-bearing liabilities repriced slower than interest-earning assets. The timing difference causes the Bank to be asset-sensitive, which means that all else being

equal, the Bank's net interest margin will be lower during periods when short-term interest rates are falling and higher when rates are rising. The average yield on interest earning assets decreased by 55 basis points mainly due to the decreases in the yields on investment securities and loans which resulted from a decrease in the prime rate. The Bank's loans are generally tied to an index of prime rate, plus a spread. This decrease was partially offset by a decrease in the average rate paid on interest-bearing liabilities of 39 basis points mainly due to a decrease in the average deposit rate.

The net interest margin was also affected by the relative change in the mix of the Bank's interest-earning assets during 2003. The Bank's average net loans (its highest yielding assets) increased as a percentage of earning assets to 77.0% in 2003, compared 72.2% and 67.7% in 2002 and 2001, respectively. At the same time, average Fed funds (its lowest yielding earning assets) decreased to 6.8% of earning assets in 2003, compared to 8.6% and 10.8% of earning assets in 2002 and 2001, respectively. The average investment securities, a relatively low-yielding asset, decreased to 15.6% of earning assets in 2003, compared to 18.8% and 21.2% of earning assets in 2002 and 2001, respectively.

The following table shows the Bank's average balances of assets, liabilities and stockholders' equity; the amount of interest income or interest expense; the average yield or rate for each category of interest-earning assets and interest-bearing liabilities; and the net interest spread and the net interest margin for the years indicated:

DISTRIBUTION, YIELD AND RATE ANALYSIS OF NET INCOME

<TABLE>
<CAPTION>

FOR THE YEARS ENDED DECEMBER 31,

RATE/YIELD	2003			2002			2001		
	AVERAGE BALANCE	INTEREST INCOME/EXPENSE	AVERAGE RATE/YIELD	AVERAGE BALANCE	INTEREST INCOME/EXPENSE	AVERAGE RATE/YIELD	AVERAGE BALANCE	INTEREST INCOME/EXPENSE	AVERAGE RATE/YIELD
	(DOLLARS IN THOUSANDS)								
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:									
Interest-earning assets:									
Loans, net(1).....	\$ 771,106	\$43,854	5.61%	\$594,641	\$ 37,107	6.15%	\$523,337	\$ 42,258	7.96%
Federal Home Loan Bank stock	4,312	200	4.64	2,362	116	4.91	1,463	75	5.13
Taxable investment securities:									
U. S. Treasury securities...	2,018	70	3.47	1,247	74	5.93	5,486	304	5.54
U. S. Government agencies...	154,015	5,964	3.87	153,233	7,912	5.16	157,946	9,199	5.82
Tax-exempt investment securities:(2)									
State and political subdivisions.....	0	0	0	167	6	3.84	201	8	3.83
Federal funds sold.....	67,903	754	1.10	70,753	1,144	1.59	83,454	3,382	4.00
Interest-earning deposits...	2,048	19	0.93	1,409	19	1.35	1,371	50	3.65
Total interest-earning assets.....	1,001,402	50,861	5.02	823,812	46,378	5.57	773,258	55,276	7.07
Noninterest-earning assets:									
Cash and due from banks.....	24,707			25,402			27,391		
Bank premises and equipment, net.....	6,424			7,777			9,658		
Other real estate owned, net	-			-			35		
Customers' acceptance liabilities.....	1,326			1,041			742		
Accrued interest receivable.	3,317			3,403			3,956		
Other assets.....	9,462			5,333			5,278		
Total noninterest-earning assets.....	45,236			42,956			47,060		
Total assets.....	\$1,046,638			\$866,768			\$820,318		
LIABILITIES AND STOCKHOLDERS' EQUITY:									
Interest-bearing liabilities:									
Deposits:									
Money market.....	\$176,866	2,646	1.50	\$118,875	2,227	1.87	\$102,151	2,744	2.69
Super NOW.....	7,868	23	0.29	7,517	39	0.52	6,141	59	0.96
Savings.....	46,119	115	0.25	42,505	289	0.68	42,833	564	

1.32									
Time certificates of deposit of \$100,000 or more.....	286,241	6,177	2.16	249,205	6,413	2.57	273,266	13,820	
5.06									
Other time.....	106,830	2,627	2.46	104,355	3,180	3.05	108,587	5,015	
4.62									
Other borrowings.....	72,399	2,429	3.31	33,295	1,163	3.45	38	1	
2.60									
Total interest-bearing liabilities.....	696,323	14,017	2.01	555,752	13,311	2.40	533,016	22,203	
4.17									

(Table continues and footnote appears on following page.)

<TABLE>
<CAPTION>

FOR THE YEARS ENDED DECEMBER 31,

	2003		2002			2001			
	AVERAGE BALANCE	INTEREST INCOME/EXPENSE	AVERAGE RATE/YIELD	AVERAGE BALANCE	INTEREST INCOME/EXPENSE	AVERAGE RATE/YIELD	AVERAGE BALANCE	INTEREST INCOME/EXPENSE	AVERAGE
(DOLLARS IN THOUSANDS)									
Noninterest-bearing liabilities:									
Demand deposits.....	237,528			210,778			192,589		
Other liabilities.....	7,353			6,316			12,010		
Total noninterest-bearing ..	244,881			217,094			204,599		
Stockholders' equity.....	105,434			93,922			82,703		
Total liabilities and Stockholders' equity.....	\$1,046,638			\$866,768			\$820,318		
Net interest income.....		\$ 36,844			\$ 33,067			\$33,073	
Net interest spread(3).....			3.00%			3.17%			
Net interest margin(4).....			3.68%			4.01%			
Ratio of average interest-bearing Assets to average interest-bearing liabilities.....			143.81%			148.23%			

- (1) Loans are net of the allowance for loan losses, deferred fees and related direct costs. Non-accrual loans are included in the table for computation purposes, but the foregone interest of such loans is excluded. Loan fees were \$810,000, \$615,000 and \$504,000 for the years ended December 31, 2003, 2002 and 2001, respectively.
- (2) Yields on tax-exempt income have not been computed on a tax equivalent basis because tax-exempt securities are minimal.
- (3) Represents the average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.
- (4) Represents net interest income as a percentage of average interest-earning assets.

The following table sets forth, for the years indicated, the dollar amount of changes in interest earned and paid for interest-earning assets and interest-bearing liabilities and the amount of change attributable to changes in

average daily balances (volume) or changes in interest rates (rate). The variances attributable to both the volume and rate changes have been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amount of the changes in each:

RATE/VOLUME ANALYSIS OF NET INTEREST INCOME

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 2003 VS. 2002			YEAR ENDED DECEMBER 31, 2002 VS. 2001		
	INCREASES (DECREASES) DUE TO CHANGE IN			INCREASES (DECREASES) DUE TO CHANGE IN		
	VOLUME	RATE	TOTAL	VOLUME	RATE	TOTAL
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNING ASSETS:						
INTEREST INCOME:						
Loans, net(1).....	\$10,260	(\$3,514)	\$ 6,746	\$5,267	(\$10,418)	(\$5,151)
Federal Home Loan Bank stock...	91	(7)	84	44	(3)	41
Taxable investment securities:						
U. S. Treasury securities....	34	(38)	(4)	(250)	20	(230)
U. S. Government agencies....	40	(1,987)	(1,947)	(268)	(1,020)	(1,288)
Tax-exempt securities:(2)						
State and political						
subdivisions.....	(6)	-	(6)	(1)	-	(1)
Federal funds sold.....	(44)	(346)	(390)	(452)	(1,786)	(2,238)
Interest-earning deposits.....	7	(7)	-	1	(32)	(31)
	-----	-----	-----	-----	-----	-----
Total net change in						
interest income.....	\$10,382	(\$5,899)	\$ 4,483	\$4,341	(\$13,239)	(\$8,898)
	-----	-----	-----	-----	-----	-----

</TABLE>

(Table continues and footnote appears on following page.)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 2003 VS. 2002			YEAR ENDED DECEMBER 31, 2002 VS. 2001		
	INCREASES (DECREASES) DUE TO CHANGE IN			INCREASES (DECREASES) DUE TO CHANGE IN		
	VOLUME	RATE	TOTAL	VOLUME	RATE	TOTAL
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
DEPOSITS AND BORROWED FUNDS:						
INTEREST EXPENSE:						
Money market deposits.....	931	(513)	418	402	(919)	(517)
Super NOW.....	2	(18)	(16)	11	(31)	(20)
Savings deposits.....	23	(197)	(174)	(4)	(271)	(275)
Time certificates of deposit						
in denominations of \$100,000						
or more.....	879	(1,115)	(236)	(1,126)	(6,281)	(7,407)
Other time deposits.....	74	(627)	(553)	(189)	(1,646)	(1,835)
Other borrowings.....	1,314	(47)	1,267	1,161	1	1,162
	-----	-----	-----	-----	-----	-----
Total net change in						
interest expense.....	3,223	(2,517)	706	255	(9,147)	(8,892)
	-----	-----	-----	-----	-----	-----
Change in net interest income.....	\$ 7,159	(\$3,382)	\$ 3,777	\$4,086	(\$4,092)	(\$ 6)
	=====	=====	=====	=====	=====	=====

</TABLE>

(1) Loan fees net of direct cost have been included in the calculation of interest income. Loan fees were \$615,000, \$504,000 and \$405,000 for the years ended December 31, 2002, 2001 and 2000, respectively. Loans are net of the allowance for loan losses, deferred fees and related direct costs.

(2) Yields on tax-exempt income have not been computed on a tax equivalent basis, because the percentage of tax-exempt securities is minimal.

Credit risk is inherent in making loans. The Bank sets aside an allowance for loan losses through charges to earnings. The charges are reflected in the income statement as the provision for loan losses. Specifically, the provision for loan losses represents the amount charged against current period earnings to achieve an allowance for loan losses that in Management's judgment is adequate to absorb losses inherent in the Bank's loan portfolio.

The provision for loan losses was \$1.9 million, \$1.1 million and \$1.3 million for the years ended December 31, 2003, 2002 and 2001, respectively. The Bank had net charge-offs of \$471,000 (including \$330,000 in recoveries) in 2003, of \$1.7 million (including \$111,000 in recoveries) in 2002, and \$727,000 (including \$581,000 in recoveries) in 2001.

NONINTEREST INCOME

The Bank generates noninterest income from service fees on deposit accounts and from other transactional and operating income in connection with remittances, letters of credit, merchant service and other activities. The following table sets forth the various components of the Bank's noninterest income for the years indicated:

<TABLE>

<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,		
	2003	2002	2001
	(DOLLARS IN THOUSANDS)		
	<C>	<C>	<C>
Service charges on deposit accounts	\$ 6,298	\$ 6,484	\$ 6,573
Remittance fees	906	912	918
Letter of credit related fees	777	807	768
Net other real estate owned income	-	-	114
Gain on sale of loans	3,450	705	-
Gain on sale of securities	409	825	-
Gain on sale of premise	-	1,194	-
Other operating income	1,880	1,718	1,534
	-----	-----	-----
Total	\$13,721	\$12,645	\$ 9,907
	-----	-----	=====
As a percentage of average earning assets	1.37%	1.53%	1.28%

</TABLE>

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The Bank earns the majority of its noninterest income from service charges on deposit accounts, which amounted to \$6.3 million, \$6.5 million and \$6.6 million in 2003, 2002 and 2001, respectively, or 45.9%, 51.3%, and 66.3% of total noninterest income in 2003, 2002 and 2001, respectively. The slight decrease in service charges on deposit accounts in 2003 and 2002 mainly resulted from a decrease in fees collected due to the non-sufficient funds. Other operating income amounted to \$1.9 million, \$1.7 million and \$1.5 million in 2003, 2002, and 2001, respectively. The increase is mainly due to an increase in loan related service fees. The Bank realized a \$3.5 million in gain on sale of loans including a \$3.4 million gain on sale from SBA loans in 2003 compared to a \$705,000 gain on sale of loans in 2002 and no gain on sale of loans in 2001, which gains on sale of loans constituted 25.1%, 5.6% and 0% of the Bank's total noninterest income in 2003, 2002 and 2001, respectively. The Bank is planning to continue to originate and sell SBA loans in 2004. However, there can be no assurance that the Bank will be able to continue to realize premiums upon the sale of, the guaranteed portions of the SBA loans. The Bank realized a gain on sale of securities in 2003 of \$409,000 compared to a gain on sale of securities of \$825,000 in 2002 and no gain on sale of securities in 2001. The Bank had a one-time gain on sale of premises in 2002 of \$1.2 million relating to the sale of the Bank's San Francisco office in 2002. Remittance fees amounted to \$906,000, \$912,000 and \$918,000 or 6.6%, 7.2% and 9.3% of total non-interest income in 2003, 2002, and 2001, respectively.

Other operating income was composed of various fee income from routine banking operations, such as credit card processing fees, loan related service fees, merchant discount fees, safety deposit box rental and check printing charges, none of which were individually significant.

NONINTEREST EXPENSE

The following table sets forth the breakdown of non-interest expense for the years indicated:

<TABLE>

<CAPTION>

FOR THE YEARS
ENDED DECEMBER 31,

	2003	2002	2001
	-----	-----	-----
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Salaries and employee benefits.....	\$14,216	\$12,348	\$11,946
Security guards.....	878	938	868
Net occupancy expense.....	2,841	2,873	2,903
Equipment expense.....	1,395	1,384	1,247
Data processing expense.....	1,950	1,942	1,713
Office supplies.....	453	483	553
Legal and professional expense.....	1,754	1,206	757
Advertising and public relations.....	915	845	568
Communication related expense	1,009	1,035	948
Other operating expense.....	3,234	2,503	1,894
	-----	-----	-----
Total.....	\$28,645	\$25,557	23,397
	=====	=====	=====

</TABLE>

Total noninterest expense was \$28.6 million, \$25.6 million and \$23.4 million for the years ended December 31, 2003, 2002 and 2001, respectively. The increase in 2003 was mainly attributable to an increase in salaries and employee benefits of \$1.9 million, other operating expenses of \$731,000, and legal and professional expenses of \$548,000.

Salaries and employee benefit costs totaled \$14.2 million, \$12.3 million and \$11.9 million or 49.6%, 48.3% and 51.1% of total noninterest expenses in 2003, 2002 and 2001, respectively. The number of full-time equivalent employees was 291, 261 and 252 as of December 31, 2003, 2002, and 2001, respectively. The salaries and employee benefit costs increased by \$1.9 million or 15.1% in 2003 compared with 2002, and \$267,000 or 2.9% in 2002 compared with 2001.

Net occupancy expense totaled \$2.8 million, \$2.9 million and \$2.9 million or 9.9%, 11.2% and 12.4% of total noninterest expenses in 2003, 2002 and 2001, respectively. In the middle of 2002, the Bank sold its San Francisco premise and relocated its San Francisco office by reducing the size in furtherance of its right-sizing strategy.

Data processing expenses totaled \$2.0 million, \$1.9 million and \$1.7 million or 6.8%, 7.6% and 7.3% of noninterest expenses in 2003, 2002 and 2001, respectively.

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Legal and professional expenses totaled \$1.8 million, \$1.2 million and \$757,000 or 6.1%, 4.7% and 3.2% of the noninterest expenses in 2003, 2002 and 2001, respectively. The increase of \$548,000 or 45.4% in 2003 compared with 2002 was primarily attributable to an expense in relation to merger and acquisition of the Bank in 2003. The increase of \$449,000 or 59.3% in 2002 compared with 2001 was primarily attributable to an increase in consulting and legal expenses for retaining an outside consultant for reviewing a bank-wide risk program.

Other operating expense was comprised of FDIC and state assessment on deposits expenses, SBA referral fees, employee related expenses, correspondent bank charges, and other various expenses. Other operating expenses totaled \$3.2 million, \$2.5 million and \$1.9 million or 11.3%, 9.8% and 8.1% of total noninterest expenses in 2003, 2002, and 2001, respectively. An increase in other operating expenses of \$731,000 or 29.2% in 2003 was mainly attributable to the increases in SBA referral fees and FDIC and state assessment fees on deposits of \$484,000 and \$167,000, respectively. An increase of \$609,000 or 32.2% in 2002 was mainly attributable to the increases in SBA loan referral fees and sundry loss of \$144,000 and \$256,000, respectively.

The efficiency ratio, defined as the ratio of noninterest expense to the sum of net interest income before provision for loan losses and noninterest income, was 56.7%, 55.9% and 54.4% in 2003, 2002 and 2001, respectively. The efficiency ratio went up slightly in 2003 compared with 2002 primarily due to an increase in legal professional expenses in a relation to merger and acquisition of the Bank. The increase in noninterest expenses in 2002 was primarily due to an increase in expenses in monitoring, training and auditing for compliance with BSA in spite of the Bank's consistent efforts to control expenses and increase revenues through improved marketing strategies compared with 2001.

PROVISION FOR INCOME TAXES

The Bank had income taxes of \$8.0 million, \$7.4 million and \$6.7 million in 2003, 2002 and 2001, respectively, resulting in effective tax rates of 40.0%, 38.9% and 36.7% for 2003, 2002 and 2001, respectively. The effective tax rate fluctuations are strongly influenced by California state franchise taxes net of Federal tax benefits under the Water's Edge Unitary method.

Income tax expenses included \$1.7 million, \$2.0 million and \$611,000 for California franchise taxes in 2003, 2002 and 2001, respectively. The fluctuation in California franchise taxes over the years was mainly due to a fluctuation in

taxable income of the Bank's affiliates in the United States under the Water's Edge Unitary method. The Bank accrues state franchise taxes based on the tax sharing agreement between the Bank and KEB. This agreement requires that each party pay its share of California franchise tax liability on the taxable income allocated from estimated combined net taxable income of KEB's branches and affiliates in the United States, including the Bank, using the apportionment factor of California property, payroll and revenues over combined property, payroll and revenue of KEB's branches and its affiliates in the United States under the Water's Edge Unitary method. See "Taxation" below.

Deferred tax assets were \$5.2 million, \$4.7 million and \$3.3 million as of December 31, 2003, 2002 and 2001, respectively. The major portion of the Bank's temporary differences involve recognizing substantially more loan loss provisions in its financial statements than it has been allowed to deduct for taxes. For tax purposes, the Bank must use the specific charge-off method for bad debt deduction, which claims deductions only to the extent that loans become wholly or partially worthless.

MARKET RISK/INTEREST RATE RISK MANAGEMENT

Market risk is the risk of loss from adverse changes in market prices and rates. The Bank's market risk arises primarily from interest rate risk inherent in its lending, investment and deposit taking activities. The Bank's profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact the Bank's earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis. To that end, Management actively monitors and manages its interest rate risk exposure.

Asset and liability management is concerned with the timing and magnitude of the repricing of assets and liabilities. It is the objective of the Bank to attempt to control risks associated with interest rate movements. In general, Management's strategy is to match asset and liability balances within maturity categories to limit the Bank's exposure to earnings variations and variations in the value of assets and liabilities as interest rates change over time. The Bank's asset and liability management strategy is formulated and monitored by the Bank's Asset/Liability Management Committee, which is composed of executive and manager level officers from various areas of the Bank including lending, investment and deposit gathering, in accordance with policies approved by the Board of Directors. The Asset/Liability Management Committee meets regularly to review, among other things, the sensitivity of the Bank's

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assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses and maturities of investments and borrowings. The Asset/Liability Management Committee also approves and establishes pricing and funding decisions with respect to overall asset and liability composition, and reports regularly to the Board of Directors.

One of the primary goals of the Bank's Asset/Liability Management Committee is to manage the financial components of the Bank so as to optimize net income under varying interest rate environments. The focus of this process is the development, analysis, implementation and monitoring of earnings enhancement strategies that provide stable earnings and capital levels during periods of changing interest rates.

Interest rate risk occurs when assets and liabilities re-price at different times as interest rates change. Generally speaking, the rates of interest that the Bank earns on its assets, and pays on its liabilities, are established contractually for specified periods of time. Unfortunately, market interest rates change over time and if a financial institution cannot quickly adapt to interest rate changes, then as a result it may be exposed to lower profit margins or even losses. For instance, if the Bank were to fund long-term assets with short-term deposits, and interest rates were to rise over the term of the assets, the short-term deposits would rise in cost, decreasing or perhaps eliminating the prior amount of net interest income. Similar risks exist when rate sensitive assets (for example, prime rate-based loans) are funded by longer-term fixed rate liabilities in a falling interest rate environment.

In the management of interest rate risk, the Bank utilizes 1) monthly gap analysis, and 2) quarterly simulation modeling to determine the sensitivity of net interest income and economic value sensitivity of the balance sheet. These techniques are complementary and are used to provide a more accurate measurement of interest rate risk.

Gap analysis measures the repricing mismatches between assets and liabilities. The interest rate sensitivity gap is determined by subtracting the amount of liabilities from the amount of assets that reprice in a particular time interval. A liability sensitivity results when more liabilities than assets reprice or mature within a given period. Conversely, an asset sensitive position results when more assets than liabilities reprice within a given period. At December 31, 2003, the Bank maintained a one-year gap position of \$61.0 million

or 5.4% of total assets because the Bank's assets tend to reprice more frequently than its liabilities over a twelve months period. The Bank will realize lower net interest income in a falling rate environment. The FRB reduced the targeted Fed funds rate by 25 basis points in 2003 and 50 basis points in 2002 in response to a perceived economic slowdown

The following table sets forth the interest rate sensitivity of the Bank's interest-earning assets and interest-bearing liabilities as of December 31, 2003 using the interest rate sensitivity gap ratio. For purposes of the following table, an asset or liability is considered rate-sensitive within a specified period when it can be repriced or matures within its contractual terms. Actual payment patterns may differ from contractual payment patterns.

<TABLE>
<CAPTION>

INTEREST RATE SENSITIVITY ANALYSIS AT DECEMBER 31, 2003 AMOUNTS SUBJECT TO REPRICING WITHIN					
	0-3 MONTHS	3-12 MONTHS	1-5 YEARS	AFTER 5 YEARS	TOTAL
(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:					
Total loans (1).....	\$697,851	\$ 28,573	\$58,131	\$89,165	\$
873,720					
Federal Home Loan Bank stock....	7,851	-	-	-	
7,851					
Investment securities (2).....	3,768	11,162	105,686	90,063	
210,679					
Federal funds sold.....	8,500	-	-	-	
8,500					
Interest-earning deposits.....	220	-	-	-	
220					
Total.....	718,190	39,735	163,817	179,228	
1,100,970					
Interest-bearing liabilities:					
Money market.....	128,662	-	-	-	
128,662					
NOW.....	7,730	-	-	-	
7,730					
Savings deposits.....	46,474	-	-	-	
46,474					
Time deposits of \$100,000 or more.....	183,645	144,178	3,982	-	
331,805					
Other time deposits.....	40,219	43,969	9,499	-	
93,687					
Other borrowed funds.....	52,017	50,000	55,000	-	
157,017					
Total.....	\$ 458,747	\$243,147	\$13,481	\$ -	\$
765,375					

</TABLE>

(Table continues and footnote appears on following page.)

<TABLE>
<CAPTION>

	0-3 MONTHS	3-12 MONTHS	1-5 YEARS	AFTER 5 YEARS
<S>	<C>	<C>	<C>	<C>
Cumulative interest rate sensitivity gap.....	\$259,443	\$61,031	\$156,367	\$335,595
Cumulative interest rate sensitivity gap ratio as a percentage of total assets.....	22.83%	5.37%	13.76%	29.53%

</TABLE>

(1) Excludes non-accrual loans and including deferred loan fees.

(2) Based on maturity dates and repricing frequencies.

Although interest rate sensitivity gap is a useful measurement and contributes to effective asset and liability management, it is difficult to predict the effect of changing interest rates based solely on that measure. As a result, the Asset/Liability Management Committee also regularly uses simulation modeling as a tool to measure the sensitivity of earnings and net portfolio value ("NPV") to interest rate changes. Net portfolio value is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments. The simulation model captures all assets, liabilities, and off-balance sheet financial instruments, accounting for significant variables that are believed to be affected by interest rates. These include prepayment speeds on loans, cash flows of loans and deposits, principal amortization, call options on securities, balance sheet growth assumptions and changes in rate relationships as various rate indices react differently to market rates. The simulation measures the volatility of net interest income and net portfolio value under immediate rising or falling market interest rate scenarios in 100 basis point increments.

The following table sets forth as of December 31, 2003 the Bank's estimated net interest income over a twelve months period and NPV based on the indicated changes in market interest rates.

<TABLE>
<CAPTION>

Change (in Basis Points)	% Change (in Net Interest Income)	% Change in NPV
-----	-----	-----
<S>	<C>	<C>
200	10.21%	9.62%
100	5.10	2.81
0		
-100	-9.27	-5.10

</TABLE>

As indicated above, the net interest income increases (decreases) as market interest rates rise (fall). This is due to the fact that the Bank maintained a positive gap and also a substantial portion of the interest earning assets reprice immediately after the rate change, interest-bearing liabilities reprice slower than interest-earning assets, and interest-bearing liabilities do not reprice to the same degree as interest earning assets, given a stated change in the interest rate. The NPV increases (declines) as the interest income increases (decreases) since the change in the discount rate has a greater impact on the change in the NPV than does the change in the cash flows.

Management believes that the assumptions used by it to evaluate the vulnerability of the Bank's operations to changes in interest rates approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Bank's assets and liabilities and the estimated effects of changes in interest rates on the Bank's net interest income and NPV could vary substantially if different assumptions were used or actual experience differs from the historical experience on which they are based.

The Bank's historical strategies in protecting both net interest income and economic value of equity investments from significant movements in interest rates have involved restructuring its investment portfolio and using FHLB advances. Bank policies also permit the purchase of rate caps and floors, and engaging in interest rate swaps, although the Bank has not yet engaged in either of these activities. At December 31, 2003, the Bank had no derivative instruments outstanding.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY. Liquidity is the Bank's ability to maintain sufficient cash flow to meet deposit withdrawals and loan demands and to take advantage of investment opportunities as they arise. The Bank's principal sources of liquidity have

been growth in deposits and proceeds from the maturity of securities and prepayments from loans. To supplement its primary sources of liquidity, the Bank maintains \$282.2 million of borrowing capacity under a collateralized line of credit with the FHLB of San Francisco. As of December 31, 2003, the Bank's available liquidity totaled \$226.0 million, which was approximately 22.2% of total deposits and 70.2% of total volatile liabilities. It is the Bank's policy to maintain a minimum fund availability to total deposit and borrowing ratio of 20% and a minimum fund availability to total volatile liability ratio of 50%. The Bank considers any excessive cash holdings or balances in due from banks, overnight Fed funds sold, uncollateralized available-for-sale securities, readily marketable loans and readily available FHLB advances as fund availability. The Bank follows the regulatory definition of volatile

liabilities, which is Jumbo CD's.

The Bank has various financial obligations, including contractual obligations and commitments, that may require future cash payments. The following table presents future net minimum rental commitments, primarily representing noncancelable operating leases and borrowings from Federal Home Loan Bank at December 31, 2003.

<TABLE>
<CAPTION>

Payment due by Period

Contractual Obligations	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
<S>	<C>	<C>	<C>	<C>	<C>
Operating Lease	\$ 1,857,274	2,951,477	2,175,165	929,999	\$ 7,913,916
Other borrowings	\$102,016,700	55,000,000	--	--	\$157,016,700

</TABLE>

OFF-BALANCE SHEET ARRANGEMENTS

As part of its service to its small to medium sized business customers, the Bank issues formal commitments to extend credit and lines of credit. These commitments can be either secured or unsecured. They may be in the form of revolving lines of credit for seasonal working capital needs. These commitments may also take the form of standby letters of credit and commercial letters of credit. Commercial letters of credit facilitate import trade. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The Bank's exposure to credit loss in the event of nonperformance by the other party to these financial instruments is represented by the contractual amount of the instruments. Since many of the letters of credit and commitments to extend credit are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. For further information about these arrangements, See Note 11 of the Notes to Financial Statements included elsewhere in this report

The following table shows the commercial commitments of the Bank as of December 31, 2003.

<TABLE>
<CAPTION>

COMMITMENTS EXPIRING
AT DECEMBER 31, 2003
(IN THOUSANDS)

	WITHIN ONE YEAR	AFTER ONE BUT WITHIN FIVE YEARS	AFTER FIVE YEARS	TOTAL
<S>	<C>	<C>	<C>	<C>
Commercial commitments:				
Loans.....	\$ 80,778	\$10,906	\$1,330	\$93,014
Standby letters of credit.....	18,991	25	-	19,016
Commercial Letters of credit.....	7,199	3	-	7,202
Total commercial commitments	\$106,968	\$10,934	\$1,330	\$119,232

</TABLE>

The following table shows the commitments to extend credit whose contract amounts represent the amount of credit risk include the following at December 31, 2003 and 2002:

<TABLE>
<CAPTION>

	2003		2002	
	OUTSTANDING AMOUNT	GUARANTEED AMOUNT	OUTSTANDING AMOUNT	GUARANTEED AMOUNT
<S>	<C>	<C>	<C>	<C>
Commitments to extend credit:				
Commercial loans	\$ 93,014,44	\$ --	\$ 92,454,510	\$ -
Home equity line of credit	6,404,219	--	4,325,374	--
Credit card loans and others	7,201,429	--	6,623,348	--
Standby letters of credit	19,015,661	19,015,661	19,575,312	19,575,312

CAPITAL RESOURCES. Stockholders' equity at December 31, 2003 was \$110.7 million, compared to \$100.9 million and \$90.0 million at December 31, 2002 and 2001, respectively. An increase of \$9.8 million or 9.7% in 2003 compared with 2002 and an increase of \$10.9 million or 12.1% in 2002 compared with 2001 mainly resulted from retained earnings and was partially offset by the unrealized loss on securities classified as available-for-sale

The Bank is committed to maintaining capital at a level sufficient to assure shareholders, customers and regulators that the Bank is financially sound. The Bank is subject to risk-based capital regulations adopted by the federal banking regulators. These guidelines are used to evaluate capital adequacy and are based on an institution's asset risk profile and off-balance sheet exposures. The risk-based capital guidelines assign risk weightings to assets both on and off-balance sheet and place increased emphasis on common equity. Based on the guidelines, the Bank's Tier I capital risk based capital ratio, total risk based capital ratio and leverage ratio meet or exceed 6%, 10%, and 5%, respectively. The Bank's Tier 1 and total risk based capital ratios at December 31, 2003 were 12.63% and 13.73%, respectively, compared with 14.70% and 15.95%, respectively, at December 31, 2002 and 14.82% and 16.07%, respectively at December 31, 2001. The Bank's leverage ratio was 10.62%, 11.56% and 10.77% at December 31, 2003, 2002 and 2001, respectively.

TAXATION

FEDERAL TAXATION: The Bank is subject to those rules of federal income taxation generally applicable to corporations under the Internal Revenue Code. The Bank files its federal income taxes independently from KEB.

BAD DEBT DEDUCTION: The Bank must use the specific charge-off method for bad debt deduction, which claims deductions only to the extent that loans become wholly or partially worthless.

STATE TAXATION: The Bank files a separate California franchise tax return and pays California state franchise taxes on the taxable income allocated from the combined taxable income of KEB's branches and affiliates in the United States, including the Bank, using the apportionment factors of California property, payroll and revenues over combined property, payroll and revenue of KEB's branches and its affiliates in the United States under the Water's Edge Unitary method.

Within the United States KEB currently has branches in Seattle, Chicago, New York City and Los Angeles. For purposes of the Water's Edge Unitary method the taxable income from all these entities is combined. The percentage of this combined income taxable to the Bank in California is the percentage derived by taking the Bank's apportionment factors over the total apportionment factors. To the extent that the Bank's taxable income, as a percentage of the combined taxable income, is more or less than the apportionment percentage, the actual California franchise tax liability and expense of the Bank would differ from the amount determined if the Bank was not part of the combined group. For instance, even if the Bank had no taxable income, a tax liability and expense could exist to the extent that the other entities did have taxable income. It is possible that the Bank could have no taxable income in a particular year, but that based on the taxable income of the other entities in the group, the Bank's state tax liability could be significant.

IMPACT OF INFLATION; SEASONALITY

The impact of inflation on a financial institution differs significantly from such impact on other companies. Banks, as financial intermediaries, have assets and liabilities that tend to move in concert with inflation both as to interest rates and value. This is especially true for the Bank, with a high percentage of interest rate-sensitive assets and liabilities. A bank can reduce the impact of inflation if it can manage its interest rate sensitivity gap. The Bank attempts to structure its mix of financial instruments and manage its interest rate sensitivity gap in order to minimize the potential adverse effects of inflation or other market forces on its net interest income and therefore its earnings and capital. See "

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Market Risk/ Interest Rate Risk Management" above. The effect of inflation on premises and equipment as well as noninterest expense has generally not been significant. The Bank's business is generally not seasonal.

FINANCIAL CONDITION

SUMMARY

The Bank's average total assets were \$1.0 billion, \$866.8 million and \$820.3 million in 2003, 2002, and 2001, respectively. The increase of \$179.9 million or 20.8% in 2003 compared with 2002 was primarily due to an increase in

</TABLE>

(Footnote appears on following page.)

- (1) Includes Korean L/C Loans and Korean Affiliate Loans. See " Loans Involving Country Risk."
- (2) Consists predominantly of SBA loans.
- (3) See " Loans Involving Country Risk."
- (4) Net of unearned income and participation loans sold and includes loans held of sale.

LOAN MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATE

The following table shows the maturity distribution and repricing intervals of the Bank's outstanding loans as of December 31, 2003. In addition, the table shows the distribution of such loans between those with variable or floating interest rates and those with fixed or predetermined interest rates. The table includes deferred loan fees of \$1.7 million and loans held of sale at December 31, 2003.

<TABLE>
<CAPTION>

LOAN MATURITIES AND REPRICING SCHEDULE

	WITHIN ONE YEAR ----	AFTER ONE BUT WITHIN FIVE YEARS -----	AFTER FIVE YEARS -----	TOTAL -----
	(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Commercial loans(1).....	\$ 604,525	\$40,006	\$91,045	\$735,576
Installment loans.....	6,347	15,811	17	22,175
Home equity.....	6,428	-	-	6,428
Other(2).....	70,280	2,391	62	72,733
Trade Finance.....	15,342	-	-	15,342
Bills Bought(3).....	22,605	-	-	22,605
	-----	-----	-----	-----
Total.....	\$ 725,527	\$58,208	\$91,124	\$874,859
	=====	=====	=====	=====
Loans with variable (floating) interest rates.....	\$ 718,546	\$ 23	\$14,722	\$733,291
Loans with predetermined (fixed) interest rates.....	\$ 6,981	\$58,185	\$76,402	\$141,568

</TABLE>

- (1) Includes commercial and industrial loans and real estate loans
- (2) Consists predominantly of SBA loans.
- (3) See "Loans Involving Country Risk" below.

COMMERCIAL LENDING-GENERAL. The Bank offers an array of commercial loan products catering primarily to the needs of the Korean-American community. Commercial loans offered by the Bank consist of three primary categories: commercial real estate loans, commercial business loans, and international trade finance. Commercial loans also include Korean L/C Loans and Korean Affiliate Loans, which amounted to \$16.6 million and \$11.2 million, respectively, at December 31, 2003. See "Loans Involving Country Risk" below.

COMMERCIAL REAL ESTATE LOANS. The Bank offers mini-perm commercial real estate loans secured by commercial, multifamily, special use, or industrial buildings where the loan's repayment source generally comes from tenants, or a business, that fully or partially occupy the building. The majority of properties that secures commercial real estate loans are located in Southern California. After the recession in the California real estate market in the early 1990's the Bank strengthened its loan underwriting policies for these loans by adopting various policies, such as centralized appraisal review by a loan review officer, and the requirement of an annual physical inspection and valuation of the property.

The Bank has established general underwriting guidelines for commercial property real estate loans, except multifamily property secured loans, requiring a maximum loan-to-value ratio ("LTV") of 65% of the lesser of the appraised value or the purchase price. For multifamily property secured loans, the maximum LTV allowed is 70% of the lesser of the appraised value or the purchase price. The Bank's underwriting policies also require that the properties securing

commercial real estate loans have debt service coverage ratios of at least 1.25:1 for investor-owned property. Additionally, for owner-occupied properties, the Bank expects additional debt service capacity from the business itself. As additional security, the Bank generally requires personal guaranties when the commercial real estate loans are extended to corporations, limited partnerships, and other legal entities.

Commercial real estate loans are in all cases secured by first deeds of trust, are generally for a term extending no more than seven years and are amortized up to 20 to 25 years. The majority of the commercial real estate loans currently being originated contain interest rates tied to the Wall Street Journal prime rate that adjusts with changes in the federal discount rate. The Bank also extends commercial real estate loans with fixed rates due to the high demand for fixed rate loans.

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As of December 31, 2003, commercial real estate loans totaled \$544.5 million, compared with \$395.8 million at December 2002 and \$311.3 million at December 31, 2001. Total commercial real estate loans comprised 62.4% of total gross loans at December 31, 2003, compared to 57.9% at December 31, 2002 and 54.4% at December 31, 2001. The increase of \$148.7 million or 37.6% during 2003 and \$84.5 million or 27.1% during 2002 was primarily due to the Bank's emphasis on increasing its local loan origination activities in recognition of the continuing strength of the real estate market in Southern California. During these periods, the Bank sought to increase its loans to local customers through the active marketing of its loan products, more competitive pricing policies based on loan quality and faster processing of loan applications.

COMMERCIAL BUSINESS LOANS. The Bank originates commercial business loans to facilitate permanent working capital and to finance business acquisitions, fixed asset purchases, accounts receivable and inventory financing. These term loans to businesses generally have terms of up to five years, interest rates tied to the Bank's prime rate and may be secured in whole or part by owner-occupied real estate. As of December 31, 2003, the Bank had a total of \$152.9 million in commercial business loans representing 17.5% of total gross loans, including \$100.4 million in term loans and \$32.5 million in commercial lines of credit. This represents an increase of \$27.5 million or 22.0% in 2003 compared with 2002 and \$14.8 million or 13.4% in 2002 compared with 2001. These increases are attributable to increased loan origination for business loans to finance business acquisitions and to facilitate permanent working capital.

Underwriting guidelines for commercial business loans include evaluation of the borrower's quality of operations and management, specific use of loan proceeds and proper identification of the repayment source. The loan proceeds are advanced against security interests in blanket asset coverage, and equipment loans are advanced against underlying specific equipment. When appropriate, the Bank may require additional collateral with a lien on real estate. Guaranties are generally required of borrowers other than individuals.

In addition to term loans, the Bank offers commercial revolving lines of credit to finance accounts receivable and inventory on a short term basis, usually less than one year. This short term financing enables borrowers to finance their cash needs during a business cycle and repay shortly thereafter. In recognition of the rapidly changing small business credit market, the Bank reintroduced a new unsecured, small business commercial loan product in April 2003 that incorporates a commercial credit scoring system and streamlines the application process with a single simplified application. The applicant is approved based on established scoring parameter which takes into consideration length of business experience, banking relationship and status of applicant's personal credit history. The maximum loan amount allowed for this product is \$150,000 per borrower. As of December 31, 2003, such streamlined business loan totaled \$17.0 million.

TRADE FINANCE. For the purpose of financing overseas transactions, the Bank provides short term trade financing to local borrowers in connection with the issuance of letters of credit to overseas suppliers/sellers. As of December 31, 2003, such trade financing totaled \$15.3 million and represented 1.8% of total gross loans. Pursuant to such letters of credit, the Bank extends credit to the borrower by providing assurance to the borrower's foreign suppliers that payment will be made upon shipment of goods. Upon shipment of goods, and when the letters of credit are negotiated by the foreign suppliers, the borrower's inventory is financed by the Bank under the approved line of credit facility. The typical term of trade finance is 90 days. The underwriting procedure for this type of credit is the same as the procedures for commercial business loans.

CONSUMER LENDING-GENERAL. The Bank offers a wide range of consumer loan products. The primary component of the Bank's consumer loans are residential real estate loans, followed by automobile loans, home equity loans, cash secured loans and credit cards. Other lesser amounts are comprised of reserve and personal loans. All processing of residential real estate loans, home equity loans and lines, automobile and credit card loans are centralized at the Bank's Consumer Loan Center.

RESIDENTIAL REAL ESTATE LOANS. The Bank offers residential real estate loans, comprised of both variable and fixed rate, 1-4 unit single family residence, first trust deed loans. The Bank is both portfolio lender and secondary market lender. In April 2003, the Bank entered into a correspondent lending program with Washington Mutual to sell all Fannie Mae conformed loans to Washington Mutual after the loan consummation. Substantially all residential real estate loans involve properties located in the Bank's primary lending area. As of December 31, 2003, residential real estate loans totaled \$36.6 million and represented 4.2% of total gross loans.

The Bank extends portfolio residential real estate loans with an LTV of up to 80% for loan amounts up to \$650,000, and an LTV of up to 75% for loan amounts in excess of \$650,000 for owner occupied property. The maximum loan amount for this type of loan is \$1 million. For non-owner occupied properties, the Bank requires an LTV

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of at least 70% for loan amounts up to \$500,000. The Bank does not make loans of more than \$500,000 for non-owner occupied properties. A majority of the residential real estate loans originated by the Bank are 5-year balloon, fixed rate loans, amortizing up to 30 years. The Bank also originates a variety of ARM loans with low initial interest rates fixed for the first six months and which adjust semi-annually thereafter. All ARM loans are tied to the 11th District Cost of Funds Index.

In addition to portfolio residential real estate lending, the Bank has established a correspondent lending program with Washington Mutual which became effective in the second quarter of 2003 and has loan brokering agreements with several major mortgage lenders in effect since the first quarter of 2002. These two new programs provided an opportunity for the Bank to provide an additional variety of residential real estate loans offered by major lenders while earning income from the transactions. As an agent of those major lenders, the Bank is taking mortgage loan applications, collecting and processing applicant and property information according to each lender's specific program guidelines, and submitting such processed packages to a lender for approval and funding. With respect to its correspondent lending program, the Bank approves, funds the loan and sells back to Washington Mutual within a specified time frame. In connection with these correspondent lending and loan brokering activities, the Bank is responsible for ensuring that no fraud or material misrepresentations are committed by the borrowers when obtaining the loans, and the loans are sold subject to a repurchase obligation if such fraud or material misrepresentations occur. In order to reduce the risks associated with such repurchase obligations, the Bank has strengthened its due diligence and underwriting criteria for such brokered loans.

On September 29, 2003, the Bank purchased a total of \$15,150,000 fixed rated Jumbo residential mortgage loans from ABN-AMRO on a service retained basis. The ABN-AMRO charges the Bank 0.25% of the loan amount as a service fee. The loans were purchased at a discount of 99.14 of par. They are all 30 years loans with amortized over 30 years. All of the borrowers are California residents with properties located at California. The average loan to value was 63.52% and they are of recent origination. The loans are originated by ABN-AMRO subsidiaries. The purpose of this purchase was to stabilize the risk to the Bank's earnings as many of the Bank's assets include loans and investments tied to variable rates.

HOME EQUITY LINES AND LOANS. The Bank offers home equity loans and lines of credit secured by second deeds of trust on 1-4 unit single family residences. At December 31, 2003, total outstanding balances for home equity lines of credit totaled \$6.1 million, representing 0.7% of total loans. As of December 31, 2003, home equity loans totaled \$287,000.

INSTALLMENT LOANS. The Bank offers automobile loans up to 100% of purchase price in case of new automobile or wholesale price listed on Kelly's Blue Book in case of used automobile for loan amounts up to \$50,000. The maximum term Bank offers is up to 72 months. As of December 31, 2003, the outstanding balance totaled \$22.2 million. The Bank also originates cash secured loans and automobile loans, which totaled \$6.5 million and \$15.6 million, respectively.

OTHER. Other loans at December 31, 2003 totaled \$72.7 million or 8.3% of total gross loans. Of this amount, \$69.7 million or 95.9% were SBA loans and the remainder was made up of credit cards and a very small balance of reserve accounts (for overdraft protection). The SBA currently guarantees from 75% to 80% of the principal of SBA loans. Loans are provided to eligible applicants or small businesses to finance working capital and the purchase of equipment or real estate. Depending on the use of proceeds, the loan term may range from seven to twenty-five years. The Bank attained its "PLP" (Preferred Lenders Program) with the SBA in 1999, which status permits the Bank to approve SBA guaranteed loans directly. Since June 2001, the Bank purchased SBA guaranteed loans from the secondary market for \$33.8 million primarily to reduce its high liquidity position. The purchased loans are 100% secured by the US Small Business Administration. Total SBA loans outstanding as of December 31, 2003 were \$69.7 million, compared to \$74.6 million and \$53.4 million at December 31,

2002 and 2001, respectively. The slight decrease of \$4.9 million or 6.5% during 2003 was primarily due to actively generating and selling SBA loans. During 2003, \$47.7 million of SBA loans were sold to the secondary market.

LOANS INVOLVING COUNTRY RISK. The Bank has historically made the following three types of credit extensions involving exposure to the Korean Economy: (i) extensions of credit to banks in South Korea in the form of Bills Bought transactions ("Bills Bought"); (ii) loans to borrowers in the U. S. secured by stand-by letters of credit issued by banks in South Korea ("Korean L/C Loans"); and (iii) loans to U. S. affiliates/subsidiaries, whose parent company is located in South Korea ("Korean Affiliate Loans"). As a policy of the Bank, all loans involving exposure to the Korean Economy are monitored at regular intervals and reported on to the Bank's Board of Directors.

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The following table sets forth the amounts of outstanding loans in the above three categories as of the years indicated for South Korea, which is the only country as to which the Bank's total outstandings exceeded one percent (1%) of the Bank's total assets.

<TABLE>
<CAPTION>

CATEGORY	LOANS INVOLVING COUNTRY RISK AT DECEMBER 31,				
	2003	2002	2001	2000	1999
	(DOLLARS IN THOUSANDS)				
	<C>	<C>	<C>	<C>	<C>
Bills Bought.....	\$22,605	\$ 6,617	\$ 9,399	\$ 1,573	\$22,129
Korean L/C Loans(1).....	16,569	7,350	8,700	11,607	17,017
Korean Affiliate Loans(2)..	11,202	10,179	9,775	4,430	6,243
Total	\$50,376	\$34,146	\$27,874	\$ 4,146	\$27,874

</TABLE>

- (1) In addition, the Bank had unfunded commitments for Korean L/C Loans in the amounts of \$2.2 million, \$2.7 million, \$3.2 million, \$3.1 million and \$4.0 million as of December 31, 2003, 2002, 2001, 2000 and 1999, respectively.
- (2) In addition, the Bank had unfunded commitments for Korean Affiliate Loans in the amounts of \$7.5 million, \$10.2 million, \$5.4 million \$8.5 million and \$4.3 million as of December 31, 2003, 2002, 2001, 2000 and 1999, respectively.

Bills Bought represents negotiations of multiple short term acceptances drawn under normal commercial letters of credit, and refinancing of sight transactions under similar letters of credit. These transactions are exclusively handled by the Bank's International Department. As of December 31, 2003, the Bank had total outstanding Bills Bought of \$22.6 million compared to \$6.6 million and \$9.4 million outstanding at December 31, 2002 and 2001, respectively. The Bank evaluates the banks in Korea involved in Bills Bought transactions primarily according to publicly available long-term debt and deposit ratings as provided by Moody's, Standard and Poors or other accepted international rating agencies. The Bank has never experienced any losses with respect to such Bills Bought.

As of December 31, 2003, the Bank had \$16.6 million in Korean L/C Loans, compared to \$17.4 million and \$8.7 million at December 31, 2002 and 2001, respectively. The Bank also had unfunded commitments for Korean L/C Loans of \$2.2 million as of December 31, 2003. These loans are short-term commercial and industrial loans to U. S. borrowers whose business is located and operated in California. The Bank plans to continue extending this type of credit in the future in order to encourage its relationship banking with local customers who are recent immigrants from South Korea and may not yet have adequate credit histories in the U. S. to support more traditional loan products. Some of these domestic borrowers may be subsidiaries of Korean corporations. The Bank evaluates the banks in South Korea from which letters of credit are accepted primarily according to the same procedure described above for Bills Bought transactions.

Korean Affiliate Loans totaled \$11.2 million as of December 31, 2003, compared to \$10.2 million and \$9.8 million at December 31, 2002 and 2001, respectively. The Bank also had unfunded commitments for Korean Affiliate Loans of \$7.5 million as of December 31, 2003, compared to \$10.2 million and \$5.4 million at December 31, 2002 and 2001. The aggregate loans outstanding and commitments at December 31, 2003, 2002 and 2001 were \$18.7 million, \$20.3 million and \$15.2 million, respectively. Due to certain historical losses with this type of loan, the Bank instituted a policy in 1999 of not making any new Korean Affiliate Loans unless the borrower meets all applicable underwriting criteria on a stand-alone basis. Renewals of Korean Affiliate Loans of current borrowers and amounts will be permitted on the basis of both credit factors and in consideration of parent/guarantor capacity to perform. As of December 31,

2003, no Korean Affiliate Loans were considered nonperforming by Management. See "-- Nonperforming Assets."

In addition to the three types of credit extensions listed above, the Bank has historically issued performance letters of credit, which are considered off-balance sheet items, on behalf of certain large, internationally-known Korean companies in connection with such companies' transactions in the U. S. Such performance letters of credit totaled \$6.7 million, \$6.2 million and \$5.1 million as of December 31, 2003, 2002 and 2001, respectively. The Bank has never experienced a demand for payment from the beneficiaries to such letters of credit, and all of the customers for whom such letters of credit have been issued are substantial depositors which have typically maintained balances in excess of the amounts of such letters of credit.

NONPERFORMING ASSETS

Nonperforming assets are comprised of loans on non-accrual status, loans 90 days or more past due and still

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accruing interest, loans restructured where the terms of repayment have been renegotiated resulting in a reduction or deferral of interest or principal, and other real estate owned ("OREO"). Management generally places loans on non-accrual status when they become 90 days past due, unless they are both fully secured and in process of collection. Loans may be restructured by Management when a borrower has experienced some change in financial status causing an inability to meet the original repayment terms, where the Bank believes the borrower will eventually overcome those circumstances and repay the loan in full. OREO consists of real property acquired through foreclosure on the collateral underlying defaulted loans. OREO acquired in settlement of loans is carried at fair value, less estimated costs to sell. Any excess loan balance over the fair value, less selling costs at the time of acquisition, is charged off to the allowance for loan losses.

The following table provides information with respect to the components of the Bank's nonperforming assets as of the dates indicated:

<TABLE>
<CAPTION>

NONPERFORMING ASSETS					
AT DECEMBER 31,					
	2003	2002	2001	2000	1999
	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
NONACCRUAL LOANS:(1)					
Commercial and industrial(2)	\$ 906	\$1,091	\$1,043	\$ 149	\$1,625
Installment loans, net	4	28	4	8	35
Real estate loans:					
Commercial	--	--	3,374	--	1,464
Home mortgage	96	805	197	--	232
Home equity	--	--	130	68	95
Other(3)	133	74	273	335	25
Trade Finance	--	--	--	--	--
Bills Bought(4)	--	--	--	--	--
	-----	-----	-----	-----	-----
Total	1,139	1,998	5,021	560	3,476
LOANS 90 DAYS OR MORE PAST DUE AND STILL					
ACCRUING (AS TO PRINCIPAL OR INTEREST):					
Other(3)	\$ --	\$ 28	\$ 39	\$ 2	\$ 23
	-----	-----	-----	-----	-----
Total	--	28	39	42	23
RESTRUCTURED LOANS:(5)					
Real estate loans:					
Commercial	\$ --	\$ --	\$ --	\$ --	\$ 457
Home mortgage	--	--	--	--	--
Other(3)	--	--	--	18	--
	-----	-----	-----	-----	-----
Trade Finance	--	--	--	--	--
Total	--	--	--	18	457
	-----	-----	-----	-----	-----
Total nonperforming loans	1,139	2,026	5,060	620	3,956
Other real estate owned	--	--	--	375	--
	-----	-----	-----	-----	-----
Total nonperforming assets	\$1,139	\$2,026	\$5,060	\$ 995	\$3,956
	=====	=====	=====	=====	=====
Nonperforming loans as a percentage					
of total gross loans	0.13%	0.30%	0.88%	0.13%	1.03%
Nonperforming assets as a percentage					
of total gross loans and other real					
estate owned	0.13%	0.30%	0.88%	0.21%	1.03%
Allowance for loan losses as a percentage					
of nonperforming loans	904.48%	437.96%	187.09%	1434.68%	211.09%

</TABLE>

- - - - -

- (1) During the year ended December 31, 2003, additional interest income of approximately \$53,000 would have been recorded if these loans had been paid in accordance with their original terms and had been outstanding throughout the applicable year then ended or, if not outstanding throughout the applicable year then ended, since origination.
- (2) Includes Korean L/C Loans and Korean Affiliate Loans. See "--Loans Involving Country Risk" above.
- (3) Consists predominantly of SBA loans.
- (4) See -- Loans Involving Country Risk" above.
- (5) A "restructured loan" is one where the terms of which were renegotiated to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower.

The total nonperforming assets at December 31, 2003 was \$1.1 million, compared to \$2.0 million and \$5.1 million at December 31, 2002 and 2001, respectively. Total nonperforming assets were 0.10% of total assets at December 31, 2003 compared to 0.22% and 0.64% of total assets at December 31, 2002 and 2001, respectively. Total nonperforming loans decreased \$887,000 to a total of \$1.1 million at December 31, 2003 compared to a decrease of \$3.1 million from the same period of 2001 to \$2.0 million at December 31, 2002 compared with total nonperforming loans of \$5.1 million at December 31, 2001.

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There is no outstanding OREO at December 31, 2003.

ALLOWANCE FOR LOAN LOSSES

Credit risk is inherent in making loans. The Bank sets aside an allowance for loan losses through charges to earnings. The charges are reflected in the income statement as the provision for loan losses. Loans are promptly charged against the allowance when, in Management's opinion, they are deemed uncollectable, although the Bank continues to aggressively pursue collection efforts.

The allowance for loan losses increased to \$10.3 million at December 31, 2003, from \$8.9 million at December 31, 2002. The allowance for loan losses was \$9.5 million at December 31, 2001. The allowance for loan losses at December 31, 2003, as a percentage of total loans was 1.2%, compared to 1.3% and 1.7% at December 31, 2002 and 2001, respectively. The continual decline of allowance for loan losses as a percentage of total gross loans is a reflection of the Bank's loan portfolio growth in the commercial real estate relative to minimal charge-off history on commercial real estate loan portfolio. Based on the current migration methodology used to determine the adequacy of the allowance for loan losses, and the historically low charge-off ratio relative to its portfolio size, the reserve requirement ratio of commercial real estate loans is substantially lower than for other segments of the other loan portfolio, such as commercial and industrial loan portfolio, which has a higher historical charge-off ratio.

The Bank formally assesses the adequacy of the allowance on a quarterly basis. The allowance is maintained at a level the Bank considers adequate to cover the inherent risk of loss associated with its loan portfolio under prevailing economic conditions. In determining the adequacy of the allowance for loan losses, Management takes into consideration growth trends in the portfolio, examination by financial institution supervisory authorities, prior loan loss experience by the Bank, concentrations of credit risk, delinquency trends, general economic conditions, the interest rate environment and internal and external credit reviews, including (i) detailed analysis of individual loans for which full recovery may not be assured, (ii) loss migration methodology results and (iii) peer group loan loss allowance data.

Additionally, each quarter the Bank updates its twelve-quarter loss migration analysis for commercial loan pool, six-quarter loss migration analysis for homogeneous loan pool and four-quarter loss migration analysis for credit card loan pool to derive rolling respective loan loss experience percentages. These loan pools are assigned an appropriate reserve factor based upon the Bank's historical charge off experience or a minimum floor, whichever is greater, and then accounts for qualitative adjustments that takes consideration of current and anticipated conditions. The allowance is maintained at a level the Bank considers adequate to cover the inherent risk of loss associated with its loan portfolio under prevailing and anticipated economic conditions.

No assurance can be given that the amounts of the required provisions will in fact correspond to such projections or that the Bank may not sustain unexpected credit deterioration or losses which would increase the required amount of the provisions. Management believes that the allowance for loan and

lease losses at December 31, 2003 is adequate to absorb the known and inherent risks in the loan portfolio. However, no assurance can be given that changes in the current economic environment in the Bank's principal market area or other circumstances will not result in increased losses in the Bank's loan portfolio in the future.

The table below summarizes the activity in the Bank's allowance for loan losses for the years indicated:

<TABLE>
<CAPTION>

	ALLOWANCE FOR LOAN LOSSES YEARS ENDED DECEMBER 31,				
	2003	2002	2001	2000	1999
--					
<S>	<C>	<C>	<C>	<C>	<C>
(DOLLARS IN THOUSANDS)					
BALANCES:					
Average total loans outstanding during year...	\$ 771,106	\$ 603,654	\$ 532,441	\$ 444,287	\$ 317,500
Total gross loans outstanding at end of year	\$ 873,206	\$ 683,131	\$ 572,354	\$ 467,807	\$ 385,745
ALLOWANCE FOR LOAN LOSSES:					
Balances at beginning of year	\$ 8,873	\$ 9,467	\$ 8,895	\$ 8,351	\$ 8,075
Charge-offs:					
Commercial and industrial(1)	582	1,479	1,094	567	962
Installment loans, net	45	18	--	33	17
Real estate loans:					
Commercial	--	--	--	--	457
Home mortgage	--	--	--	--	--
Home equity	--	--	--	--	--
Other(2)	174	250	214	96	140
Trade Finance	--	58	--	492	--
Bills Bought(3)	--	--	--	--	--
--					
Total charge-offs	801	1,805	1,308	1,188	1,576
Recoveries:					
Commercial and industrial(1).....	265	70	525	282	1,098
Installment loans, net	3	--	9	14	3
Real estate loans:					
Commercial	--	10	--	73	304
Home mortgage	--	--	--	0	--
Home equity	50	1	--	45	229
Other(2)	12	30	23	16	18
Trade Finance	--	--	24	2	--
Bills Bought(3)	--	--	--	--	--
--					
Total recoveries	330	111	581	432	1,652
Net loan charge-offs (recoveries)	471	1,694	727	756	
(76)					
Provision for loan losses	1,900	1,100	1,300	1,300	200
--					
Balance at end of year	\$ 10,302	\$ 8,873	\$ 9,467	\$ 8,895	\$ 8,351
RATIOS:					
Nonperforming loans to total loans	0.13%	0.30%	0.88%	0.13%	
1.03%					
Nonperforming assets to total loans and other real estate owned	0.13	0.30	0.88	0.21	1.03
Allowance for loan losses to total loans at year end	1.18	1.30	1.65	1.90	2.16
Allowance for loan losses to total nonperforming loans	904.48	437.96	187.09	1434.68	211.09
Net loan Charge-offs to allowance for loan losses at end of year	4.57	19.10	7.68	11.33	
(0.91)					
Net loan Charge-offs to provision for loan losses	24.80	154.05	55.96	58.15	
(38.00)					

</TABLE>

--									
Installment loans, net	25	2.54	30	3.11	51	2.54	38	3.72	64
2.33									
Real estate loans:									
Commercial	2,587	62.35	1,938	57.94	2,318	54.39	1,598	53.54	1,524
46.34									
Home mortgage	0	4.20	0	5.48	71	9.88	143	12.10	135
13.37									
Home equity	2	0.73	2	0.88	64	0.82	223	1.01	394
1.07									
Other(2)	321	8.32	413	11.44	346	10.02	450	7.94	542
6.27									
Trade Finance	946	1.76	467	1.83	303	1.40	552	1.94	267
2.47									
Bills Bought(3)	88	2.59	28	0.97	61	1.64	5	0.34	21
5.74									
Unallocated(4)	500		500		500		1,577		2,116
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total	\$10,302	100.00%	\$ 8,873	100.00%	\$ 9,467	100.00%	\$ 8,895	100.00%	\$ 8,351
100.00%	=====	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>

- (1) Includes Korean L/C Loans and Korean Affiliate Loans. See "Lending Activities -- Loans Involving Country Risk" above.
- (2) Consists predominantly of SBA loans.
- (3) See "Lending Activities -- Loans Involving Country Risk" above.
- (4) As of December 31, 2003, 2002 and 2001, the unallocated solely consists of International Transfer Risk allocation for probable impact on Korean guarantors, as well as for Korean banks that support Korean L/C Loans.

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INVESTMENT PORTFOLIO

The investment securities portfolio is the Bank's second major interest earning asset, the Bank classifies its investments into two portfolios: those held-to-maturity and those available-for-sale. The Bank has no investments which are classified as a trading portfolio.

The Bank's securities portfolio is managed in accordance with a comprehensive written Investment Policy which addresses strategies, types and levels of allowable investments and which is reviewed from time to time, at least on an annual basis, by the Board of Directors. The management of the securities portfolio is set in accordance with strategies developed and overseen by the Bank's Asset/Liability Management and Investment Committee.

The Bank's Investment Policy authorizes the Bank to invest in Fed funds sold (with limits as to how much may be sold to any one institution), repurchase agreements (not to exceed a three month period and only to be engaged in with correspondent banks, authorized broker/dealers and the Bank's customers), certificates of deposit in other federally insured financial institutions (with a maturity of five years or less and of no more than \$100,000 per institution), U. S. Treasury obligations (with a maturity up to fifteen years), U. S. Agency obligations (with a maturity of up to ten years), U. S. Government agency mortgage-backed securities (with average life of up to fifteen years and limited to no more than 40% of the Bank's total securities portfolio), state and municipal bonds (with limits as to size, quality and term), bankers acceptances (limited to no more than 10% of the Bank's total securities portfolio), Eurobonds (must be rated "A2" or better by Moody's at purchase, have a term not exceeding 10 years and be limited to 20% of the Bank's total securities portfolio) and commercial paper (with a maturity of up to three months and limited to 10% of the Bank's total securities portfolio).

At December 31, 2003, the Bank's investment portfolio amounted to \$210.7 million or 18.5% of total assets, compared to \$154.0 million or 16.4% of total assets at December 31, 2002 and \$139.7 million or 17.7% of total assets at December 31, 2001. The net increase of \$56.7 million or 26.9% in 2003 resulted from the purchase of securities of \$219.8 million offset by matured securities of \$64.5 million and sales of securities of \$37.5 million. The net increase of \$14.3 million or 10.3% in 2002 resulted from the purchase of securities of \$129.1 million offset by matured securities of \$58.7 million and sales of securities of \$29.3 million.

The following table summarizes the amortized cost, fair value and distribution of the Bank's investment securities as of the dates indicated:

<TABLE>
<CAPTION>

INVESTMENT PORTFOLIO
AT DECEMBER 31,

	2003		2002		2001	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	
(DOLLARS IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:						
U. S. Treasury securities	\$ 1,001	\$ 1,030	\$ 1,003	\$ 1,074	\$ 1,504	\$
1,573						
U. S. Government agencies	29,730	29,458	25,996	26,290	71,000	
72,687						
Mortgage-backed securities(1)	118,075	117,537	34,000	34,730	61,090	
61,592						
State and political subdivisions..	3,779	3,790	2,507	2,607	3,699	
3,810						
Total available-for-sale	152,585	151,815	63,506	64,701	137,293	
139,662						
HELD-TO-MATURITY:						
Mortgage-backed securities(1)	58,864	58,819	89,314	90,799	--	
--						
Total investment securities ...	\$211,449	\$210,634	\$152,820	\$155,500	\$137,293	
\$139,662						

</TABLE>

(1) Principal balances may be prepaid before contractual maturity date.

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The following table summarizes the maturity and repricing schedule of the Bank's investment securities and their weighted average yield at December 31, 2003:

<TABLE>
<CAPTION>

TOTAL	INVESTMENT MATURITIES AND REPRICING SCHEDULE							
	WITHIN ONE YEAR		AFTER ONE BUT WITHIN FIVE YEARS		AFTER FIVE BUT WITHIN TEN YEARS		AFTER TEN YEARS	
AMOUNT	YIELD(1)	AMOUNT	YIELD(1)	AMOUNT	YIELD(1)	AMOUNT	YIELD(1)	
(DOLLARS IN THOUSANDS)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:								
U. S. Treasury securities	1,030	5.82%	--	--	--	--	--	\$
1,030	5.82%							
U. S. Government agencies.....	--	--	29,458	2.69%	--	--	--	
29,458	2.69%							
Mortgage-backed securities(2)	12,871	3.42%	26,680	4.47%	49,218	4.48%	28,768	4.51%
117,537	4.37%							
Obligations of states and political subdivisions.....	1,028	6.17%	--	--	2,505	2.89%	257	3.82%
3,790	3.84%							
Total available-for-sale.....	14,929	3.78%	56,138	3.54%	51,723	4.40%	29,025	4.50%
151,815	4.04%							
HELD-TO-MATURITY:								
Mortgage-backed securities(2)	--	--	49,548	4.07%	--	--	9,316	3.98%
58,864	4.06%							

Total investment securities.....	\$14,929	3.78%	\$105,686	3.79%	\$51,723	4.40%	\$38,341	4.37%
\$210,679	4.04%							

=====
 </TABLE>

- (1) Yields on tax-exempt obligations have not been computed on a tax equivalent basis because the percentage of tax-exempt securities is minimal.
- (2) Principal balances may be prepaid before contractual maturity date.

NON-INTEREST EARNING ASSETS

The largest portion of noninterest-earning assets as of December 31, 2003 consisted of cash and due from banks. Cash and due from banks consisted of cash on hand, deposits with correspondent banks and deposits with the Federal Reserve Bank of San Francisco which included required reserves. The outstanding balance of cash and due from banks was \$24.5 million, \$24.1 million and \$26.0 million as of December 31, 2003, 2002 and 2001, respectively. The ratio of average cash and due from banks to the average total assets was 2.4%, 2.9% and 3.3 % for the years ended December 31, 2003, 2002 and 2001, respectively. The Bank maintained balances with correspondent banks to cover daily in-clearings and other activity.

OTHER REAL ESTATE OWNED

Other real estate owned acquired in settlement of loans is carried at the lower of cost or fair value, less estimated cost to sell and any excess loan balance over the fair value, less selling cost at the time of acquisition, is charged to the allowance for loan losses. The Bank had no OREO for the years ended December 31, 2003, 2002 and 2001.

DEPOSITS

Deposits are the Bank's primary source of funds. Total deposits at December 31, 2003, 2002 and 2001 were \$863.0 million, \$760.0 million and \$692.8 million, respectively. The Bank's average deposits were \$861.5 million, \$733.2 million and \$725.6 million for the years ended December 31, 2003, 2002 and 2001, respectively. The ratio of average noninterest-bearing deposits to average total deposits was 27.6%, 28.7% and 26.5% for the years ended December 31, 2003, 2002 and 2001, respectively. The Bank's average total cost of deposits was 1.35%, 1.66% and 3.06% for the years ended December 31, 2003, 2002 and 2001, respectively. Information concerning the average balance and average rates paid on deposits by deposit type for the past three fiscal years is contained in the Distribution, Rate and Yield table above located in Results of Operations--Net Interest Income and Margin.

At December 31, 2003, core deposits, representing demand deposits and low cost deposits, were \$437.5 million, compared to \$401.5 million and \$341.9 million at December 31, 2002 and 2001, respectively, representing 50.7% of total deposits at December 31, 2003 compared to 52.8% and 47.4% at December 31, 2002 and 2001, respectively. The average core deposits for 2003 were \$468.4 million, compared to \$379.7 million and \$343.7 million for 2002 and 2001, respectively.

The Bank offers a wide array of deposit products in order to satisfy its customers' needs, including noninterest-bearing checking accounts, interest-bearing checking and savings accounts, money market accounts and TCD's, through its branch system in order to foster retail deposit growth and to maintain low cost of deposits. The Bank does not hold any brokered deposits.

The following tables summarize the distribution of average daily deposits and the average daily rates paid for the years indicated:

<TABLE>
 <CAPTION>

	AVERAGE DEPOSITS YEARS ENDED DECEMBER 31,					
	2003		2002		2001	
	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Demand, noninterest-bearing.....	\$237,528	--%	\$ 210,778	--%	\$192,589	--%
Money market.....	176,866	1.50	118,875	1.87	102,151	2.69
Super NOW.....	7,868	0.29	7,517	0.52	6,141	0.96
Savings.....	46,119	0.25	42,505	0.68	42,833	1.32
Time certificates of deposit of						

\$100,000 or more.....	286,241	2.16	249,205	2.57	273,266	5.06
Other time.....	106,830	2.46	104,355	3.05	108,587	4.62
	-----	----	-----	----	-----	----
Total deposits.....	\$861,452	1.35%	\$ 733,235	1.66%	\$725,567	3.06%
	=====	====	=====	====	=====	====

</TABLE>

The following table sets forth the scheduled maturities of the Bank's time deposits in denominations of \$100,000 or more at December 31, 2003:

<TABLE>
<CAPTION>

MATURITIES OF TIME DEPOSITS OF \$100,000 OR MORE

	AT DECEMBER 31, 2003

	(DOLLARS IN THOUSANDS)
<S>	<C>
Three months or less.....	\$183,645
Over three months through six months.....	100,338
Over six months through twelve months.....	43,840
Over twelve months.....	3,982

Total.....	\$331,805
	=====

</TABLE>

BORROWINGS FROM THE FEDERAL HOME LOAN BANK

The Bank became a member of the FHLB in October 1999. The Bank maintains a secured credit facility with the FHLB of San Francisco against which the Bank may take advances. The Bank utilizes FHLB advances to fund loan growth when longer-term deposit growth has not kept pace with loan demand. The terms of this credit facility require the Bank to maintain in safekeeping with the FHLB eligible collateral of at least 100% of outstanding advances. The outstanding FHLB advances were \$157.0 million at December 31, 2003 and \$70.0 million at December 31, 2002. The average outstanding amount for 2003 and 2002 was \$72.4 million and \$33.3 million and the weighted average rate was 3.3% and 3.5%, respectively. The maximum outstanding amount during the year 2003 and 2002 was \$157.0 million and \$70.0 million, respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information concerning quantitative and qualitative disclosures about market risk called for by Item 305 of Regulation S-K is included as part of Item 7 above. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Market Risk/Interest Rate Risk Management".

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements and independent auditors' reports are included in here in:

<TABLE>
<CAPTION>

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</TABLE>

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Pacific Union Bank:

We have audited the accompanying balance sheet of Pacific Union Bank as of December 31, 2003 and the related statements of operations, changes in stockholders' equity and comprehensive income and cash flows for the years ended December 31, 2003 and 2001. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Pacific Union Bank as of December 31, 2003 and the results of its operations and its cash flows for the years ended December 31, 2003 and 2001 in conformity with accounting principles generally accepted in the United States of America.

Los Angeles, California
 February 20, 2004, except as to notes 14 (c)
 of the notes to financial statements,
 which is as of February 25, 2003

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 REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
 Pacific Union Bank

In our opinion, the accompanying balance sheet as of December 31, 2002 and the related statements of operations, changes in stockholders' equity and comprehensive income and cash flows present fairly, in all material respects, the financial position of Pacific Union Bank ("the company") at December 31, 2002, and the results of its operations and its cash flows for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 14, the company is subject to a consent order issued by the FDIC.

Los Angeles, California
 January 20, 2003

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 PACIFIC UNION BANK
 Balance Sheets

December 31, 2003 and 2002

<TABLE>
 <CAPTION>

	2003	2002
	-----	-----
<S>	<C>	<C>
ASSETS		
Cash and due from banks - demand	\$ 24,296,291	\$ 24,054,519
Federal funds sold	8,500,000	62,500,000

Due from banks - interest-bearing	219,693	210,654
Federal Home Loan Bank Stock	7,850,900	3,537,800
Securities held-to-maturity, at amortized cost (fair value of \$58,819,467 in 2003 and \$90,798,966 in 2002) (note 2)	58,864,296	89,313,683
Securities available-for-sale, at fair value (note 3)	151,814,571	64,701,421
Loans	872,299,999	683,131,191
Less allowance for loan losses	(10,301,793)	(8,872,995)
	-----	-----
Net loans (note 4)	861,998,206	674,258,196
	-----	-----
Loans held for sale	906,414	--
Customers' acceptance liabilities	1,053,807	657,760
Bank premises and equipment, net (note 5)	6,683,818	6,610,142
Accrued interest receivable	3,779,836	3,404,574
Deferred tax asset (note 8)	5,214,895	4,663,046
Other assets	5,220,103	3,083,442
	-----	-----
Total assets	\$ 1,136,402,830	\$ 936,995,237
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits (note: 7)		
Demand, non-interest bearing	\$ 254,623,241	\$ 223,377,195
Demand, interest-bearing	7,729,539	7,602,024
Money market and savings	175,136,447	170,486,917
Time certificates of deposit:		
Less than \$100,000	93,686,774	99,876,831
\$100,000 or more	331,805,430	258,652,585
	-----	-----
Total deposits	862,981,431	759,995,552
	-----	-----
Federal Home Loan Bank advances	157,016,700	70,000,000
Acceptance liabilities	1,053,807	657,760
Accrued interest payable	3,425,775	3,140,064
Other liabilities	1,242,442	2,325,902
	-----	-----
Total liabilities	1,025,720,155	836,119,278
	-----	-----
Commitments and Contingencies (note 11)		
Stockholders' equity (notes 3, 9, and 15):		
Common stock, \$6 par value. Authorized 30,000,000 shares; issued and outstanding 10,686,984 shares at December 31, 2003 and 10,621,554 shares at December 31, 2002	64,117,087	63,724,507
Capital surplus	22,332,751	22,174,825
Retained earnings	24,698,212	14,283,984
Accumulated other comprehensive gain (loss) - net unrealized gain (loss) on securities available-for-sale and interest only strips	(465,375)	692,643
	-----	-----
	110,682,675	100,875,959
	-----	-----
	\$ 1,136,402,830	\$ 936,995,237
	=====	=====

</TABLE>

See accompanying note to financial statements.

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PACIFIC UNION BANK

Statements of Operations

Years ended December 31, 2003, 2002 and 2001

<TABLE>
<CAPTION>

	2003	2002	2001
	-----	-----	-----
<S>	<C>	<C>	<C>
Interest income:			
Interest and fees on loans	\$ 43,854,139	\$ 37,107,264	\$ 42,257,739
Dividend on Federal Home Loan Bank stock	200,095	115,457	75,617
Interest on securities held-to-maturity	2,913,767	2,013,163	265,552

Interest on securities available-for-sale	3,120,246	5,979,170	9,244,815
Interest on federal funds sold	754,197	1,143,880	3,382,300
Other interest income	18,845	19,176	50,238
	-----	-----	-----
	50,861,289	46,378,110	55,276,261
	-----	-----	-----
Interest expense:			
Demand - interest bearing	23,274	38,953	58,721
Savings and money market	2,760,612	2,515,999	3,308,177
Time certificates of deposit:			
Less than \$100,000	2,626,877	3,179,952	5,015,274
\$100,000 or more	6,176,661	6,412,516	13,820,403
Other borrowings	2,429,408	1,163,409	907
	-----	-----	-----
Total interest expense	14,016,832	13,310,829	22,203,482
	-----	-----	-----
Net interest income before provision for loan losses	36,844,457	33,067,281	33,072,779
Provision for loan losses	1,900,000	1,100,000	1,300,000
	-----	-----	-----
Net interest income after provision for loan losses	34,944,457	31,967,281	31,772,779
	-----	-----	-----
Other income:			
Service charges on deposit accounts	6,297,855	6,484,137	6,572,888
Remittance fees	906,263	912,045	918,421
Letter of credit related fees	777,218	807,397	767,741
Net other real estate owned income (expense)	--	(41)	113,708
Gain on sale of loans	3,450,305	705,351	--
Gain on sale of securities	409,181	824,472	--
Gain on sale of bank premise	--	1,193,797	--
Other operating income	1,880,401	1,718,108	1,533,777
	-----	-----	-----
Total other income	13,721,223	12,645,266	9,906,535
	-----	-----	-----
Other expenses:			
Salaries and employee benefits	14,216,133	12,347,558	11,946,311
Security guards	878,191	937,700	868,007
Net occupancy expense	2,840,644	2,872,931	2,902,808
Equipment expense	1,394,404	1,384,149	1,246,714
Data processing	1,950,154	1,942,384	1,713,408
Office supplies	453,170	482,764	552,627
Legal and professional	1,754,146	1,206,560	756,620
Advertising and public relations	914,881	844,688	568,332
Communication expenses	1,009,360	1,034,561	947,838
Other operating expenses	3,234,383	2,503,874	1,893,751
	-----	-----	-----
Total other expenses	28,645,466	25,557,169	23,396,416
	-----	-----	-----
Income before income taxes	20,020,214	19,055,378	18,282,898
Income taxes	8,006,000	7,404,000	6,711,000
	-----	-----	-----
Net income	\$ 12,014,214	\$ 11,651,378	\$ 11,571,898
	=====	=====	=====
Net income per share (Note 15)			
Basic	\$ 1.13	\$ 1.10	\$ 1.09
Diluted	1.12	1.09	1.08
	=====	=====	=====
Weighted-average common shares outstanding (Note 15)			
Basic	10,655,349	10,616,017	10,600,306
Diluted	10,725,580	10,702,092	10,695,306

</TABLE>

See accompanying note to financial statements.

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PACIFIC UNION BANK

Statements of Changes in Stockholders' Equity and Comprehensive Income

Years ended December 31, 2003, 2002 and 2001

<TABLE>

<CAPTION>

Total	Number of				Accumulated
stockholder's	shares	Common	Capital	Retained	comprehensive
equity	Outstanding	stock	surplus	earnings	income (loss)
	-----	-----	-----	-----	-----

<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2001 89,960,057	9,470,015	\$ 56,820,088	\$ 15,860,704	\$ 15,703,322	\$ 1,575,943	\$
=====						
Stock options exercised 96,682	14,992	85,137	11,545	--	--	
Stock dividend --	1,136,547	6,819,282	6,251,009	(13,070,291)	--	
Tax benefit of non qualified stock options exercised 51,567	--	--	51,567	--	--	
Cash paid for fractional shares (425)	--	--	--	(425)	--	
Comprehensive income: Net income 11,651,378	--	--	--	11,651,378	--	
Change in unrealized gain (loss) on securities available-for-sale, net of tax effect (883,300)	--	--	--	--	(883,300)	
Total comprehensive income 10,768,078	--	--	--	--	--	

Balance at December 31, 2002 100,875,959	10,621,554	\$ 63,724,507	\$ 22,174,825	\$ 14,283,984	\$ 692,643	\$
=====						
Stock options exercised 537,002	65,430	392,580	144,422	--	--	
Cash dividend (1,599,986)	--	--	--	(1,599,986)	--	
Tax benefit of non qualified stock options exercised 13,504	--	--	13,504	--	--	
Comprehensive income: Net income 12,014,214	--	--	--	12,014,214	--	
Change in unrealized gain (loss) on: Securities available-for-sale, net of tax effect Interest-only-strips, net of tax effect (1,158,018)	--	--	--	--	(1,154,571) (3,447)	
Total comprehensive income 10,856,196	--	--	--	--	--	

Balance at December 31, 2003 110,682,675	10,686,984	\$ 64,117,087	\$ 22,332,751	\$ 24,698,212	\$ (465,375)	\$
=====						

See accompanying notes to financial statements.

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PACIFIC UNION BANK

Statements of Cash Flows

Years ended December 31, 2003, 2002 and 2001

<TABLE> <CAPTION>	2003	2002
2001		

<S> <C>	<C>	<C>
Cash flows from operating activities: Net income \$ 11,571,898	\$ 12,014,214	\$ 11,651,378
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expenses 1,358,581	1,240,421	1,346,077
Provision for loan losses 1,300,000	1,900,000	1,100,000

--	Gain on sale of securities	(409,181)	(824,472)
1,387	Amortization of premium and (accretion of discount) on securities held-to-maturity, net	40,019	(722,824)
118,990	Amortization of premium and (accretion of discount) on securities available-for-sale, net	(879,835)	(100,250)
--	Gain on disposal of Bank premises	--	(1,193,797)
9,084	Net loss (gain) on disposal of Bank equipment	17,862	(6,114)
--	Gain on sale of loans	(3,450,305)	(705,351)
--	Origination of loans held for sale	(54,170,069)	(2,260,426)
--	Proceeds from sale of loans held for sale	58,221,431	2,380,000
(115,460)	Net gain on sale of other real estate owned	--	--
1,479,283	(Increase) decrease in accrued interest receivable	(375,262)	50,447
(480,000)	Decrease (increase) in deferred income taxes	261,000	(1,055,000)
539,950	(Increase) decrease in income taxes receivable	(1,435,743)	(1,116,038)
(89,500)	Stock dividend on Federal Home Loan Bank stock	(172,400)	(102,700)
59,980	(Increase) decrease in other assets	(706,662)	(1,295,279)
(1,627,173)	Increase (decrease) in accrued interest payable	285,711	(1,544,601)
(250,058)	(Decrease) increase in other liabilities	(1,083,460)	812,154
		-----	-----
13,876,962	Net cash provided by operating activities	11,297,741	6,413,204
		-----	-----
	Cash flows from investing activities:		
--	Increase in Federal Home Loan Bank stock	(4,140,700)	(1,931,300)
6,005,687	Proceeds from maturities and redemptions of securities held-to-maturity	55,374,502	11,883,552
97,863,961	Proceeds from maturities and redemptions of securities available-for-sale	79,342,440	73,260,223
--	Proceeds from sale of securities available-for-sale	27,713,354	30,125,842
--	Purchase of securities held-to-maturity	(24,965,134)	(100,474,410)
(84,479,380)	Purchase of securities available-for-sale	(194,845,051)	(28,674,047)
580,525	Proceeds from recoveries of written-off loans	330,231	110,488
(105,855,094)	Net increase in loans	(191,477,713)	(111,996,337)
(741,232)	Purchases of Bank premises and equipment	(1,331,959)	(1,013,395)
--	Proceeds from sale of Bank premises and equipment	--	3,595,554
490,943	Proceeds from sale of other real estate owned	--	--
		-----	-----
(86,134,590)	Net cash used in investing activities	(254,000,030)	(125,113,831)
		-----	-----
	Cash flows from financing activities:		
14,207,901	Net increase in demand deposits, non-interest bearing	31,246,046	20,016,967
(32,665)	Net increase (decrease) in demand deposits, interest-bearing	127,515	1,031,798
14,048,687	Net increase in money market and savings deposits	4,649,530	38,528,595
18,123,837	Net increase in time certificates of deposit	66,962,788	7,666,663
--	Increase in other borrowed funds	87,016,700	70,000,000
58,409	Proceeds from exercise of stock options, including tax benefits	550,506	148,249
--	Cash dividends paid	(1,599,986)	--

Cash paid for fractional shares (30)	--	(425)	

46,406,139	188,953,099	137,391,847	

(25,851,489)	(53,749,189)	18,691,220	

93,925,442	86,765,173	68,073,953	

68,073,953	\$ 33,015,984	\$ 86,765,173	\$
=====			
Supplemental disclosures of cash flow information:			
Cash paid during the year			
for:			
Interest	\$ 13,731,121	\$ 14,855,429	
\$ 23,830,656			
Income taxes	10,450,000	8,757,760	
6,134,000			
=====			
Noncash investing and financing activities:			
Real estate acquired in settlement of loans	\$ --	\$ --	\$
117,000			
Stock dividend	--	13,070,291	
9,547,820			
Transfer of loans receivable to loans held for sale	906,414		
=====			

</TABLE>

See accompanying notes to financial statements.

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PACIFIC UNION BANK

NOTES TO FINANCIAL STATEMENTS

THREE YEARS ENDED DECEMBER 31, 2003

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Pacific Union Bank (the Bank), formerly known as California Korea Bank, was incorporated as a state-chartered bank in February 1974. The Bank currently operates ten banking offices in Southern California and two banking offices in Northern California. The Bank also has a loan production office in Seattle, Washington. During 2000, the Bank issued common stock in an initial public offering. Korea Exchange Bank ("KEB"), formerly the sole owner of the Bank, now beneficially owns 62.0% of the outstanding shares which shares have been placed in a Trust pending the acquisition of the Bank by Hanmi Financial Corp. The remaining shares are publicly traded.

On December 22, 2003, the Bank entered into a definitive agreement whereby Hanmi Financial Corp. will acquire Pacific Union Bank. It is anticipated that the acquisition of the Bank will close in the second quarter of 2004, subject to receipt of all necessary regulatory approvals.

(a) GENERAL

The accounting and reporting policies of the Bank are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The financial statements are generally prepared on the accrual basis of accounting. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates.

(b) FEDERAL HOME LOAN BANK STOCK

Federal Home Loan Bank (FHLB) stock carried at cost, is a restricted

investment and is required to be maintained as collateral for FHLB advances.

(c) SECURITIES HELD-TO-MATURITY

The Bank has classified certain securities as held-to-maturity securities. Securities held-to-maturity are carried at cost, adjusted for the accretion of discounts and the amortization of premiums. The Bank classifies securities as held-to-maturity when it determines that it has the ability and intent to hold such securities to maturity. Accreted discounts and amortized premiums are included in interest income. Gains and losses realized from unforeseen disposition, or determination of impairment of value deemed other than temporary, of securities held-to-maturity are recorded in income using the specific-identification method.

(d) SECURITIES AVAILABLE-FOR-SALE

The Bank has classified certain securities as available-for-sale. The Bank classifies securities as available-for-sale when it determines that such securities may be sold at a future date or if there are foreseeable circumstances under which the Bank would sell such securities. Securities designated as available-for-sale are recorded at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of other comprehensive income until realized. Accreted discounts and amortized premiums are included in interest income. Gains and losses realized from disposition, or determination of impairment of value deemed other than temporary, of securities available-for-sale are recorded in income using the specific-identification method. There were realized gains of \$409,000, \$824,000 and zero during the years ended December 31, 2003, 2002 and 2001, respectively. The gross unrealized losses of \$2.0 million, \$1.2 million, and gross unrealized gain of \$3.1 million during the years ended December 31, 2003, 2002 and 2001, respectively.

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(e) LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are recorded in the financial statements at the principal amount outstanding, net of unearned income, deferred loan fees and the allowance for loan losses. Interest income is accrued on all loans, except when loans are delinquent 90 days or more, at which time such loans are generally placed on a nonaccrual status. Nonaccrual loans are reclassified to accrual status when the Bank has received a minimum of six full payments based on the contractual terms of the loan agreement and management determines that future payments can be sustained to support the overall value of the loan.

The Bank maintains an allowance for loan losses at a level which it believes is adequate to absorb any inherent losses in its loan portfolio. Management, in determining the adequacy of the allowance for loan losses as well as the appropriate provision for loan losses in any given year, takes into consideration (1) detailed analysis of individual loans for which full recovery may not be assured, (2) loan loss experience, (3) growth in the loan portfolio, (4) an assessment of the effect of current economic conditions on the loan portfolio and (5) examinations conducted by the Bank's supervisory authorities.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize loan loss provisions, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Management, based on current information and events regarding the borrowers' ability to repay their obligations, evaluates individual loans for impairment. A loan is considered to be impaired when it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, the amount of the impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, the impairment is measured based on the fair value of the collateral if the loan is collateral dependent. Impairment losses are

included in the allowance for loan losses accounts through a charge to the provision for loan losses. Interest income is recognized on the accrual basis for impaired loans not meeting the criteria for nonaccrual.

(f) OTHER REAL ESTATE OWNED

Other real estate owned acquired in settlement of loans is carried at the lower of cost or fair value, less estimated costs to sell. Any excess loan balance over the fair value, less selling costs at the time of acquisition, is charged to the allowance for loan losses. Operating expenses of such property, net of related income, subsequent declines in estimated fair value and gains and losses on their disposition, are included in other income or expense, as appropriate.

(g) LOAN FEES

Loan origination fees and certain direct loan origination costs associated with the originated loans are deferred and recognized over the lives of the loans as an adjustment to the loans' yield. The Bank does not amortize net deferred loan fees for nonaccrual loans and loans held for sale.

(h) STOCK OPTIONS

Had compensation cost for the Bank's stock option plan been determined based on the fair values at the grant dates for awards under the plan consistent with the fair value method of SFAS No. 123, the Bank's net income and earnings per share for the years ended December 31, 2003, 2002 and 2001 would have been reduced to the pro forma indicated below.

	2003	2002	2001
	-----	-----	-----
<S>	<C>	<C>	<C>
Net Income:			
As reported	\$ 12,014,214	11,651,378	11,571,898
Compensation expense	(61,139)	(51,491)	(49,940)
	-----	-----	-----
Pro-forma	11,953,075	11,599,887	11,521,958

(Table continues on following page.)

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	2003	2002	2001
	-----	-----	-----
<S>	<C>	<C>	<C>
Earnings per share:			
As reported:			
Basic	\$ 1.13	1.10	1.09
Diluted	1.12	1.09	1.08
Pro-forma:			
Basic	\$ 1.12	1.09	1.09
Diluted	1.11	1.08	1.08

(i) BANK PREMISES AND EQUIPMENT

Bank premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization of Bank premises and equipment are provided on the straight-line method over the following estimated useful lives:

<S>	<C>
Building	25 years
Equipment and furnishings	3 to 10 years
Leasehold improvements	Life of lease or improvements, whichever is shorter

(j) INCOME TAXES

The Bank provides for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases

and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Bank provides for California franchise taxes using the water's-edge method based on the total U.S. income of KEB branches, agency and subsidiary. Accordingly, the provision for California franchise taxes provided may be different from the amount computed by applying the California franchise tax rate to income before income taxes.

(k) COMPREHENSIVE INCOME

Comprehensive income consists of net income and net unrealized gains (losses) on securities available-for-sale and is presented in the statement of stockholders' equity and comprehensive income.

(l) RECLASSIFICATIONS

Certain reclassifications of prior year's data have been made to conform to the current year presentation.

(m) STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Bank considers "cash and due from banks - demand," "federal funds sold" and "due from banks - interest-bearing" as cash and cash equivalents.

(n) RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, The Financial Accounting Standards Board (FASB or the "Board") issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN No. 46). This Interpretation addressed consolidation by business enterprises of variable interest entities and clarified the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 applied immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The application of FIN 46 did not have a material impact on the Bank's financial statements.

In December 2003, the FASB Interpretation No. 46R (revised December 2003), Consolidation of Variable Entities, which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an

entity through means other than voting rights and accordingly should consolidate the entity. FASB Interpretation No. 46R ("FIN 46R") replaces FASB Interpretation No. 46, which was issued in January 2003. The Bank will be required to apply FIN 46R to variable interest in variable interest entities ("VIE") created after December 31, 2003. For IVEs created before January 1, 2004, the Interpretation will be applied beginning on January 1, 2005. For any VIEs that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities and noncontrolling interests of the VIE initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and my previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be issued to measure the assets, liabilities and noncontrolling interest of the VIE. The application of FIN 46R is not expected to have material effect on the Bank's financial statements.

FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, ("SFAS No. 150") was issued in May 2003. It establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 also for instruments entered into or modified after May 31, 2003 and otherwise will be effective as of January 1,

2004, except for mandatorily redeemable financial instruments. For certain mandatorily redeemable financial instruments, SFAS No. 150 will be effective for the Bank on January 1, 2005. The effective date has been deferred indefinitely for certain other types of mandatorily redeemable financial instruments. The Bank currently does not have any financial instruments that are within the scope of this statement.

(2) SECURITIES HELD-TO-MATURITY

The amortized cost, estimated fair value and maturities of securities held-to-maturity at December 31, 2003 are summarized as follows:

<TABLE>
<CAPTION>

	2003			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Mortgage-backed securities	\$ 58,864,296	339,447	(384,276)	\$ 58,819,467

<TABLE>
<CAPTION>

	2002			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Mortgage-backed securities	\$ 89,313,683	1,485,283	--	\$ 90,798,966

Securities held-to-maturity with an amortized cost of \$58,864,296 and \$89,313,683 at December 31, 2003 and 2002, respectively, were pledged to secure a borrowing line of credit and for other purposes as required or permitted by law.

(3) SECURITIES AVAILABLE-FOR-SALE

The following is a summary of the major components of securities available-for-sale and a comparison of amortized cost, gross unrealized gains and losses, estimated fair value and maturities at December 31, 2003 and 2002:

<TABLE>
<CAPTION>

	2003			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Securities available-for-sale:				
U.S. Treasury securities:				
Due in one year or less	\$ 1,001,005	29,308	--	\$ 1,030,313
U.S. government agencies:				
Due after one year through five years	29,730,000	3,689	(276,433)	29,457,256

(Table continues on following page.)

<TABLE>
<CAPTION>

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Mortgage-backed securities:				
Due in one year or less	12,896,457	112,779	(138,088)	12,871,148
Due after one year through five years	26,604,836	149,957	(74,828)	26,679,965
Due after five through ten years	49,506,366	61,325	(349,513)	49,218,178
Due after ten years	29,066,940	60,748	(360,058)	28,767,630
State and political subdivisions:				
Due in one year or less	1,000,000	28,270	--	1,028,270
Due after one year through five				

years	2,525,762	18,482	(39,664)	2,504,580
Due after ten years	253,086	4,145	--	257,231
	-----	-----	-----	-----
Total	\$ 152,584,452	468,703	(1,238,584)	\$ 151,814,571
	=====	=====	=====	=====

</TABLE>

<TABLE>
<CAPTION>

	2002			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Securities available-for-sale:				
U.S. Treasury securities:				
Due after one year through five years	\$ 1,002,619	70,975	--	\$ 1,073,594
U.S. government agencies:				
Due in one year or less	6,000,000	171,477	--	6,171,477
Due after one year through five years	19,995,990	122,985	--	20,118,975
Mortgage-backed securities	33,999,977	730,101	--	34,730,078
State and political subdivisions :				
Due in one year or less	1,504,263	39,121	--	1,543,384
Due after one year through five years	1,003,329	60,584	--	1,063,913
	-----	-----	-----	-----
Total	\$ 63,506,178	1,195,243	--	\$ 64,701,421
	=====	=====	=====	=====

</TABLE>

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position at December 31, 2003, were as follows.

<TABLE>
<CAPTION>

	Less than 12 months		12 months or more		Total	
	Unrealized		Unrealized			
	Fair Value	Losses	Fair Value	Losses	Fair Value	
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Available-for-Sale:						
U.S. government agencies	\$ 24,723,567	(276,433)	-	-	\$ 24,723,567	\$
(276,433)						
Mortgage-backed securities	68,352,434	(922,487)	-	-	68,352,434	
(922,487)						
State and political subdivisions	1,567,987	(39,664)	-	-	1,567,987	
(39,664)						
	-----	-----	---	---	-----	---
Total available-for-sale	94,643,988	(1,238,584)	-	-	94,643,988	
(1,238,584)						
Held-to-Maturities:						
Mortgage-backed securities	23,315,983	(384,276)			23,315,983	
(384,276)						
	-----	-----	---	---	-----	---
Total investment securities	\$ 117,959,971	(1,622,860)	-	-	\$ 117,959,971	\$
(1,622,860)						
	=====	=====	===	===	=====	

</TABLE>

The unrealized losses on investment securities are caused by interest rate increases. These investment securities are not considered other-than-temporarily impaired since the Bank has the ability and intent to hold these investment securities until a market price recovery or maturity.

Securities available-for-sale of \$108,900,517 and \$53,350,436 at December 31, 2003 and December 31, 2002, respectively were pledged to secure a borrowing line of credit and for other purposes as required or permitted by law.

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

Total loans including loans held for sale at December 31, 2003 and 2002 consisted of the following:

<TABLE>
<CAPTION>

	2003	2002
	-----	-----
<S>	<C>	<C>
Commercial and industrial	\$ 153,118,103	\$ 125,864,751
Installment loans, net	22,174,890	21,223,988
Real estate loans	582,510,703	434,072,716
Home equity	6,427,553	6,018,120
Bills bought	22,604,568	6,616,931
Trade finance	15,342,364	12,488,147
SBA loans	69,683,580	74,560,313
Other	2,997,454	3,618,998
	-----	-----
	\$ 874,859,215	\$ 684,463,964
Less deferred loan fees	(1,652,802)	(1,332,773)
	-----	-----
Total loans	\$ 873,206,413	\$ 683,131,191
	=====	=====

</TABLE>

Substantially all of the Bank's lending activity is with customers located in Southern California. The Bank concentrates its lending in commercial, installment and real estate loans generally collateralized with real estate properties in Southern California. Loans are generally expected to be paid off from the operating profit of the borrower or by refinancing through third parties. The majority of the commercial and real estate loans are made to small businesses. The loans are not concentrated in any specific industry. Bills bought transactions primarily consist of credit lines extended to banks in South Korea. These represent short-term acceptances drawn under normal commercial letters of credit transactions.

The Bank services Small Business Administration (SBA) loans for investors which are not included in the accompanying financial statements. The total balance of SBA loans serviced for others by the Bank was approximately \$55,357,000 and \$9,151,000 as of December 31, 2003 and 2002, respectively.

Loans on which the accrual of interest has been discontinued amounted to \$1,139,000 and \$1,998,000 at December 31, 2003 and 2002, respectively. If interest on these loans had been accrued, interest income would have increased by approximately \$44,000 in 2003 and \$41,000 in 2002.

At December 31, 2003, no loans were 90 days or more past due as to interest and/or principal which are not on nonaccrual status and approximately \$28,000 were 90 days or more past due at December 31, 2002.

Restructured loans where the terms have been altered to provide a reduced repayment schedule amounted to \$12,000, at December 31, 2003 and zero at December 31, 2002 and 2001.

The total recorded investment in impaired loans was \$1,139,000 and \$2,551,000 with a related impairment allowance of \$277,000 and \$371,000 at December 31, 2003 and 2002, respectively. During the years ended December 31, 2003, 2002 and 2001, respectively, the Bank's average investment in impaired loans was \$1,589,000, \$7,248,000 and \$3,645,000. Interest income of \$53,000, \$129,000 and \$138,000 would have been recorded during the years ended December 31, 2003, 2002 and 2001, respectively, had the loans not been considered impaired. The Bank has no commitments to lend additional funds to debtors whose terms have been modified in a troubled debt restructuring.

Changes in the allowance for loan losses are summarized as follows:

<TABLE>
<CAPTION>

	2003	2002	2001
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance at beginning of year	\$ 8,872,995	\$ 9,467,490	\$ 8,894,927
Provision charged to operating expense	1,900,000	1,100,000	1,300,000
Loans charged off	(801,433)	(1,804,983)	(1,307,962)
Recoveries on loans previously charged off	330,231	110,488	580,525
	-----	-----	-----
Net loan charge offs	(471,202)	(1,694,495)	(727,437)
	-----	-----	-----
Balance at end of year	\$ 10,301,793	\$ 8,872,995	\$ 9,467,490
	=====	=====	=====

</TABLE>

(5) BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31, 2003 and 2002 consisted of:

	2003	2002
	-----	-----
<S>	<C>	<C>
Land	\$ 1,511,425	\$ 1,511,425
Building	5,308,227	5,303,227
Equipment and furnishings	8,568,480	8,141,377
Leasehold improvements	5,051,821	4,561,162
	-----	-----
	20,439,953	19,517,191
Less accumulated depreciation and amortization	(13,756,135)	(12,907,049)
	-----	-----
Net premises and equipment	\$ 6,683,818	\$ 6,610,142
	=====	=====

</TABLE>

Depreciation and amortization expense for the years ended December 31, 2003, 2002 and 2001 amounted to \$1,240,421, \$1,346,077 and \$1,358,581, respectively.

(6) OTHER REAL ESTATE OWNED

For the years ended December 31, 2003, 2002 and 2001, net other real estate owned (income) expense was comprised of the following:

	2003	2002	2001
	-----	-----	-----
<S>	<C>	<C>	<C>
Net gain on sale of other real estate owned	\$ --	\$ --	\$ (115,460)
Direct holding costs, net	--	41	1,752
	-----	-----	-----
Net other real estate owned (income) expense	\$ --	\$ 41	\$ (113,708)
	=====	=====	=====

</TABLE>

(7) DEPOSITS

Time deposits by maturity dates are as follows at December 31, 2003 and 2002.

	2003	2002
	-----	-----
<S>	<C>	<C>
Less than three months	\$223,864,199	\$197,403,240
After three months to six months	123,932,932	78,887,240
After six months to twelve months	64,214,598	70,081,859
After twelve months	13,480,475	12,157,077
	-----	-----
Total time deposits	\$425,492,204	\$358,529,416
	=====	=====

</TABLE>

A summary of interest expense on deposits is as follows for the years ended December 31, 2003, 2002 and 2001.

	2003	2002	2001
	-----	-----	-----
<S>	<C>	<C>	<C>
Demand - interest bearing	\$ 23,274	\$ 38,953	\$ 58,721
Savings and money market	2,760,612	2,515,999	3,308,177
Time certificates of deposit:			
Less than \$100,000	2,626,877	3,179,952	5,015,274
\$100,000 or more	6,176,661	6,412,516	13,820,403
Other borrowings	2,429,408	1,163,409	907
	-----	-----	-----
Total interest expense	\$14,016,832	\$13,310,829	\$22,203,482
	=====	=====	=====

</TABLE>

(8) INCOME TAXES

The provision for income taxes includes the following:

<TABLE>
<CAPTION>

	DECEMBER 31		
	2003	2002	2001
<S>	<C>	<C>	<C>
Current:			
Federal	\$ 6,096,000	\$ 5,465,500	\$ 6,580,000
State	1,649,000	2,993,500	611,000
	7,745,000	8,459,000	7,191,000
Deferred:			
Federal	257,000	(22,000)	(480,000)
State	4,000	(439,000)	(186,000)
	261,000	(461,000)	(666,000)
Total:			
Federal	6,353,000	5,443,500	6,100,000
State	1,653,000	2,554,500	425,000
Change in valuation allowance for deferred tax assets	--	(594,000)	186,000
Total income tax expense	\$ 8,006,000	\$ 7,404,000	\$ 6,711,000

</TABLE>

Applicable income tax expense in 2003, 2002 and 2001 resulted in effective tax rates of 39.99%, 38.86% and 36.71%, respectively, of income before income taxes. The primary reasons for the differences from the federal statutory tax rate of 35% in 2003, 2002 and 2001 are as follows:

<TABLE>
<CAPTION>

	2003	2002	2001
<S>	<C>	<C>	<C>
Income tax expense at federal statutory rate	\$ 7,007,000	\$ 6,669,000	\$ 6,399,000
State franchise taxes, net of federal income tax benefit	1,075,000	1,660,000	276,000
Valuation allowance	--	(594,000)	186,000
Other, net	(76,000)	(331,000)	(150,000)
	\$ 8,006,000	\$ 7,404,000	\$ 6,711,000

</TABLE>

At December 31, 2003, and 2002, income tax receivable of \$2,551,781 and income tax payable of \$166,723 was included in other assets and other liabilities, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2003 and 2002 are presented below:

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Deferred tax assets:		
Loans principally due to allowance for loan losses	\$ 3,964,642	\$ 3,897,000
Bank premises and equipment principally due to differences in depreciation	155,499	125,000
Federal deduction of state tax	730,492	1,079,000
Net unrealized loss on securities available-for-sale	310,249	--
Other	54,013	64,646
Total gross deferred tax assets	5,214,895	5,165,646
Less valuation allowance	--	--
Net deferred tax assets	5,214,895	5,165,646
Deferred tax liabilities:		
Net unrealized gain on securities available-for-sale	--	(502,600)

Net deferred tax assets, net

\$ 5,214,895 \$ 4,663,046
=====

</TABLE>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

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Management considers the scheduled reversal of deferred tax liabilities, the projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Bank has concluded that a valuation allowance against the deferred tax asset is not required.

(9) STOCK OPTIONS

The Bank adopted a stock option plan in 2000, under which options may be granted to key employees and directors of the Bank. The option price may not be less than the fair value of the Bank's stock on the effective date of the grant. The Bank authorized a total of 586,000 options under the plan as of December 31, 2000. These options will vest over five to ten years and may be exercised over five to ten year period. The number and price per share of outstanding options have been adjusted to reflect the stock dividends issued on March 28, 2002 and on April 26, 2001 (See note 15).

Activity in the stock option plan for the years ended December 31, 2003, 2002 and 2001 follows:

<TABLE>
<CAPTION>

	2003		2002		2001	
	WEIGHTED		WEIGHTED			
	AVERAGE		AVERAGE			
	NUMBER OF	EXERCISE	NUMBER OF	EXERCISE	NUMBER OF	
	SHARES	PRICE	SHARES	PRICE	SHARES	
	-----	-----	-----	-----	-----	-----
	<C>	<C>	<C>	<C>	<C>	
Options outstanding, beginning of year 8.02	312,239	\$ 11.15	263,560	\$ 8.91	259,400	\$
Options granted \$11.04	81,700	\$ 17.50	117,500	\$17.38	52,300	
Options exercised 7.14	(65,430)	\$ 8.21	(14,996)	\$ 6.37	(8,184)	\$
Options expired / canceled 7.33	(47,229)	\$ 10.38	(79,789)	\$ 7.08	(68,486)	\$
Stock dividend 8.78	--	--	25,964	\$ 8.30	28,530	\$
	-----	-----	-----	-----	-----	-----
Options outstanding, end of year 8.91	281,280	\$ 13.80	312,239	\$11.15	263,560	\$
	=====	=====	=====	=====	=====	=====

=====
</TABLE>

The Bank applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its Plan. Accordingly, no compensation costs have been recognized for its stock option plan in the financial statements.

The weighted average fair value of options granted was \$2.74, \$2.53 and \$2.06 per share in 2003, 2002 and 2001, respectively. The weighted average fair value of options was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: no dividend yield, expected volatility of 39%, 62% and 36% in 2003, 2002 and 2001, respectively, risk-free interest rate of 3.49%, 4.21%

and 4.78% in 2003, 2002 and 2001, respectively and expected lives of five to ten years in 2003 and 2002.

Information pertaining to stock options outstanding at December 31, 2003 is as follows:

<TABLE>
<CAPTION>

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
\$ 6.37 - 10.06	99,360	2.99 years	7.16	52,392	7.15
\$12.86 - 17.38	139,220	6.02 years	16.69	23,340	16.61
\$18.30 - 24.12	42,700	4.80 years	19.84	--	--
Outstanding at end of year	281,280	4.80 years	13.80	72,732	10.06

</TABLE>

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(10) EMPLOYEE BENEFIT PLANS

The Bank has a 401(k) profit sharing plan. This plan is for the benefit of substantially all of its employees. The Bank contributed 4.3% of each participant's annual compensation in 2003, 2002 and 2001. Contributions for the years ended December 31, 2003, 2002 and 2001 were approximately \$273,000, \$262,000 and \$285,000 respectively.

(11) COMMITMENTS AND CONTINGENT LIABILITIES AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There are various legal proceedings pending against the Bank that arise in the normal course of business. In the opinion of management, based upon the advice of counsel, liabilities arising from these proceedings, if any, will not materially affect the financial position of the Bank.

The Bank leases premises for eight of its branches and head office under lease agreements that contain renewal options and escalation clauses which provide for the payment of taxes, insurance and certain other expenses by the Bank.

Included in net occupancy expense and equipment expense are rental payments for premises and equipment of \$1,774,752 in 2003, \$1,697,147 in 2002 and \$1,629,571 in 2001. The following is a schedule by years of future minimum rental commitments, primarily representing noncancelable operating leases and a noncancelable sublease as of December 31, 2003:

<TABLE>
<CAPTION>

	MINIMUM RENTALS	SUBLEASE RENTAL INCOME
<S>	<C>	<C>
Year ending December 31:		
2004	\$1,857,274	\$ 247,632
2005	1,599,302	12,800
2006	1,352,175	--
2007	1,334,750	--
2008	840,416	--
Later years	929,999	--
	\$7,913,916	\$ 260,432

</TABLE>

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit in the form of loans or through standby letters of credit. Those instruments involve varying degrees and elements of credit risk in excess of the amount recognized in the balance sheet. The dollar amount related to such commitments reflects 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 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 does not require collateral or other security to support financial instruments with credit risk.

Commitments to extend credit whose contract amounts represent the amount of credit risk include the following at December 31, 2003 and 2002:

<TABLE>
<CAPTION>

	2003		2002	
	OUTSTANDING AMOUNT	GUARANTEED AMOUNT	OUTSTANDING AMOUNT	GUARANTEED AMOUNT
<S>	<C>	<C>	<C>	<C>
Commitments to extend credit:				
Commercial loans	\$ 93,014,448	\$ --	\$92,454,540	\$ --
Home equity line of credit	6,404,219	--	4,325,374	--
Credit card loans and others	7,201,429	--	6,623,348	--
Standby letters of credit	19,015,661	19,015,661	19,575,312	19,575,312
Commercial letters of credit	7,202,074	--	5,404,357	--

</TABLE>

Commitments to extend credit are agreements to lend to a customer provided 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 certain of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's

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creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Bank upon extension of credit is based on management's credit evaluation of the borrower.

The commitments can be either secured or unsecured and may also take the form of standby letters of credit and commercial letters of credit. Commercial letters of credit facilitate import trade. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in making loans to customers.

(12) TRANSACTIONS WITH AFFILIATES

The Bank had the following assets and liabilities at December 31 resulting from transactions with Korea Exchange Bank.

<TABLE>
<CAPTION>

	2003	2002
	<C>	<C>
Due from banks - demand	\$ 217,158	\$ 264,633
Demand deposits, non-interest bearing	\$2,828,537	\$3,515,539

</TABLE>

At December 31, 2003 and 2002, loans to certain directors and officers amounted approximately \$365,000 and \$55,000, respectively. There was no director who had a line of credit at December 31, 2003 and 2002, respectively.

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

(a) CASH AND SHORT-TERM INSTRUMENTS

For those short-term instruments whose maturity is less than 90 days, the carrying amount is assumed to be a reasonable estimate of fair value.

(b) FEDERAL HOME LOAN BANK STOCK

The carrying amount is assumed to be a reasonable estimate of fair value.

(c) SECURITIES

Fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

(d) LOANS

Fair value is estimated for portfolios of loans with similar financial characteristics. Each loan portfolio was further segmented into fixed and adjustable rate interest groups and by performing and nonperforming categories.

The fair value of performing loans was calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan.

Fair value for nonperforming loans was based on recent external appraisals and related estimated cash flows discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.

(e) DEPOSIT LIABILITIES

The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

(f) OTHER BORROWED FUNDS

The fair value of borrowed funds is based on the estimated discount cash flow.

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(g) COMMITMENTS TO EXTEND CREDIT, STANDBY LETTERS OF CREDIT AND COMMERCIAL LETTERS OF CREDIT

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. The uncertainty involving the attempt to determine the likelihood and the timing of a commitment being drawn upon, along with the lack of established markets, would not result in what the Bank believes to be a meaningful estimate of fair value.

The fair value disclosed hereinafter does not reflect any premium or discount that could result from offering the instruments for sale. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed. The fair value estimates are dependent upon subjective estimates of market conditions and perceived risks of financial instruments at a point in time and involve significant uncertainties resulting in variability in estimates with changes in assumptions.

The estimated fair value of the Bank's financial instruments at December 31, 2003 and 2002 is as follows (dollars in thousands):

<TABLE>
<CAPTION>

	2003		2002	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Financial assets:				
Cash and short-term instruments	\$ 33,016	\$ 33,016	\$ 86,765	\$ 86,765
Federal home loan bank stock	7,851	7,851	3,538	3,538
Securities held-to-maturity	58,864	58,820	89,314	90,799
Securities available-for-sale	151,815	151,815	64,701	64,701
Loans, net	861,989	865,809	674,258	684,215
Loans held for sale	906	941	--	--
Interest-only-strips	5,100	5,100	--	--

Accrued interest receivable	3,780	3,780	3,405	3,405
Financial liabilities:				
Deposits	862,981	857,894	759,996	748,929
Other borrowed funds	157,017	159,314	70,000	72,906
Accrued interest payable	3,426	3,426	3,140	3,140

</TABLE>

(14) REGULATORY MATTERS

(a) CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes as of December 31, 2003 that the Bank meets all capital adequacy requirements to which it is subject.

At December 31, 2003, the Bank met the minimum total risk-based, Tier I risk based and Tier 1 leverage ratios to be considered well-capitalized, however, it was not considered to be well-capitalized because it was subject to a Consent Order issued by the FDIC (see Other below). To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, Tier I leverage ratios as set forth in the table and not be subject to any regulatory order, agreement or directive.

The Bank's actual capital amounts and ratios as of December 31, 2003 and 2002 are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	2003					
	ACTUAL		FOR CAPITAL ADEQUACY PURPOSE		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total capital (to risk-weighted assets)	\$ 120,804	13.73%	\$ 70,366	>or= 8.0%	\$ 87,958	>or= 10.0%
Tier I capital (to risk-weighted assets)	111,119	12.63	35,183	>or= 4.0	52,775	>or= 6.0
Tier I capital (to average assets)	111,119	10.62	41,853	>or= 4.0	52,316	>or= 5.0
	=====	=====	=====	=====	=====	=====

</TABLE>

<TABLE>
<CAPTION>

	2002					
	ACTUAL		FOR CAPITAL ADEQUACY PURPOSE		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total capital (to risk-weighted assets)	\$ 108,689	15.95%	\$ 54,515	>or= 8.0%	\$ 68,144	>or= 10.0%
Tier I capital (to risk-weighted assets)	100,169	14.70	27,257	>or= 4.0	40,885	>or= 6.0
Tier I capital (to average assets)	100,169	11.56	34,671	>or= 4.0	43,338	>or= 5.0

</TABLE>

(b) FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT

The Federal Deposit Insurance Corporation Improvement Act (FDICIA) was signed into law on December 19, 1991. FDICIA establishes a new framework for the relationship between insured depository institutions and their regulators.

FDICIA requires insured depository institutions to maintain capital ratio thresholds. Regulators are required to take prompt corrective actions to resolve the problems of any institution failing to meet these minimum ratios. In addition to the prompt corrective action requirements, FDICIA includes significant changes to the legal and regulatory environment for insured depository institutions, including reductions in insurance coverage for certain kinds of deposits, increased supervisions by the federal regulatory agencies, increased reporting requirements for insured institutions and new regulations concerning internal controls, accounting and operations.

(c) OTHER

On February 25, 2004, the FDIC terminated the Consent Order to Cease and Desist which had been issued against the Bank on April 4, 2002. The April 4, 2002 Consent Order had required correction of certain Bank Secrecy Act ("BSA") compliance deficiencies which the Bank has since fully implemented.

(15) EARNINGS PER SHARE

The following earnings per share as of December 31, 2003, 2002 and 2001 has been restated for the 12% stock dividend in 2002 and 10% stock dividend in 2001. For the three years ended December 31, 2003, 2002 and 2001, 351,000, 116,000 and 23,000 options, respectively, were excluded from the weighted-average diluted common shares outstanding due to their antidilutive effect.

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<TABLE>
<CAPTION>

2003	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
Basic EPS -			
Income available to common stockholders	\$ 12,014,214	10,655,349	\$ 1.13
Effect of Dilutive Securities - Options	--	70,231	(0.01)
Diluted EPS -			
Income available to common stockholders	\$ 12,014,214	10,725,580	\$ 1.12

</TABLE>

<TABLE>
<CAPTION>

2002	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
Basic EPS -			
Income available to common stockholders	\$ 11,651,378	10,616,017	\$ 1.10
Effect of Dilutive Securities - Options	--	86,075	(0.01)
Diluted EPS -			
Income available to common stockholders	\$ 11,651,378	10,702,092	\$ 1.09

</TABLE>

<TABLE>
<CAPTION>

2001	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
Basic EPS -			
Income available to common stockholders	\$ 11,571,898	10,600,306	\$ 1.09
Effect of Dilutive Securities - Options	--	95,000	(0.01)
Diluted EPS -			

Income available to common stockholders	\$ 11,571,898	10,695,306	\$ 1.08
	=====	=====	=====

</TABLE>

(16) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized unaudited quarterly financial data follows:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(In thousands, except share amounts)			
<S>	<C>	<C>	<C>	<C>
2003				
Interest income	\$ 11,828	\$ 12,407	\$ 12,820	\$ 13,807
Net interest income	8,516	8,975	9,292	10,063
Provision for losses on loans	600	300	400	600
Net income before income taxes	4,570	4,623	5,117	5,711
Net income	2,721	2,794	3,067	3,432
Basic earnings per common share	0.26	0.26	0.29	0.32
Diluted earnings per share	0.25	0.26	0.29	0.32
2002				
Interest income	\$ 10,872	\$ 10,982	\$ 12,056	\$ 12,468
Net interest income	7,914	8,076	8,329	8,748
Provision for losses on loans	100	100	200	700
Net income before income taxes	4,299	5,326	4,128	5,302
Net income	2,581	3,198	2,637	3,235
Basic earnings per common share	0.24	0.30	0.25	0.30
Diluted earnings per share	0.24	0.30	0.25	0.30

</TABLE>

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

At its Audit Committee meeting on July 21, 2003, the Audit Committee of Pacific Union Bank ("the Bank"), Los Angeles, California, selected the accounting firm of KPMG, LLP ("KPMG"), as independent auditors for the Bank's 2003 fiscal year. At the same meeting the Audit Committee dismissed PricewaterhouseCoopers LLP ("PWC") as independent auditors for the Bank.

PWC audited the financial statements for the Bank for the year ended December 31, 2002. The reports of PWC on the financial statements for the year 2002 contained no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the fiscal year ended December 31, 2002 and the subsequent interim period January 1, 2003 through July 21, 2003, there were no disagreements between PWC and the Bank on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PWC, would have caused it to make reference to the subject matter of the disagreements in connection with its report on the financial statements.

KPMG had served the Bank as its independent auditors and audited the financial statements since the inception of the Bank through the fiscal year ended December 31, 2001.

The Bank filed a Report on Form 8-K concerning the change in accountants dated July 26, 2003. The Bank requested that PWC review the disclosure in the Report on Form 8-K, and PWC has been given the opportunity to furnish the Bank with a letter addressed to the Federal Deposit Insurance Corporation containing any new information, clarification of the Bank's expression of its views, or the respects in which it does not agree with the statements made by the Bank herein. Such letter was filed as an exhibit to the Form 8-K.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Bank's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Bank's disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) promulgated under the Exchange Act as of the end of the period covered by this report (the "Evaluation Date") have concluded that as of the Evaluation Date, the Bank's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Bank and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this report was being prepared. Disclosure controls and procedures are

designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

There were no significant changes in the Bank's internal controls over financial reporting or in other factors in the fourth quarter of 2003 that has materially affected, or is reasonably likely to materially affect, the Bank's internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information as of March 24, 2004, with respect to (i) each of the Bank's directors and executive officers, and (ii) the directors and executive officers of the Bank as a group:

<TABLE>
<CAPTION>

STOCK OWNED ON 2004 (1)	NAME AND OFFICES OF SHARES HELD WITH BANK OUTSTANDING (3)	PRINCIPAL OCCUPATION FOR THE PAST FIVE YEARS	AGE	YEAR FIRST ELECTED OR APPOINTED DIRECTOR	COMMON BENEFICIALLY MARCH 24, 2004	
					NUMBER OF SHARES	VESTED OPTION SHARES (2)
<S>	<C>		<C>	<C>	<C>	<C>
Jin Kon Park *	Chairman of the Board	Pacific Union Bank(4)	56	2003	0	0
Oh Kyung Kwon *	Director	Regional Director, Korea Exchange Bank, Regional Headquarters for the Americas(5)	56	2003	0	0
Ernest E. Dow *	Director	Principal, Choi, Dow, Ian, Hong & Lee (Certified Public Accountants)	54	2003	0	0
Yong Koo Kim *	Director	General Manager, Korea Exchange Bank, Los Angeles Agency(6)	50	2002	0	2,000
Oh Hoon Kwon *	Senior Vice President, Chief Operating Officer and Director	Senior Vice President and Chief Operating Officer, Pacific Union Bank(7)	46	2002	0	3,000

(1) Except as otherwise noted, may include shares held by such person's spouse (except where legally separated) and minor children, and by any other relative of such person who has the same home; shares held in "street name" for the benefit of such person; shares held by a family or retirement trust as to which such person is a trustee and primary beneficiary with sole voting and investment power (or shared power with a spouse); or shares held in an Individual Retirement Account or pension plan as to which such person (and/or his spouse) is the sole beneficiary and has pass-through voting rights and investment power.

(2) This percentage is based on the total number of shares of the Bank's Common

Stock outstanding, plus the number of option shares for the applicable individual or group which are vested or will vest within 60 days of January 31, 2004 pursuant to the Bank's Stock Option Plan. (See "Stock Options" and "Compensation of Directors" herein.)

(3) This percentage is based on the total number of shares of the Bank's Common Stock outstanding, plus the number of option shares for the applicable individual or group which are vested or will vest within 60 days of January 31, 2004 pursuant to the Bank's Stock Option Plan. (See "Stock Options" and "Compensation of Directors" herein.)

(4) Mr. Jin Kon Park served as Executive Managing Director of KEB from May 2002 until March 2003. Previously, he served as Managing Director of KEB's Planning and Coordination Unit and its Treasury Unit since February 2001 as General Manager of KEB's Planning and Coordination Division from April 2000 to February 2001, as General Manager of KEB's Investment Banking Division from March 1999 to April 2000; and as General Manager of KEB's Chicago Branch from 1996 to March 1999.

(5) Mr. Oh Kyung Kwon has held this position with KEB since May 2003. Previously, he was retired since March 1999, and prior to that served as General Manager of KEB's Loan Review Team from February 1998 to March 1999.

(6) Mr. Yong Koo Kim has served as General Manager of KEB's Los Angeles Agency since March 12, 2002. Previously, he served in various capacities at KEB since 1978, including General Manager of the Do Gok Ro Branch From August 1999 to February 2002; as Deputy General Manager, Planning and Coordination Division from September 1998 to August 1999; and as Deputy General Manager, Loan Division from January 1998 to September 1998.

(7) Mr. Kwon has served as Senior Vice President, Chief Operating Officer and a director of the Bank since March 15, 2002. Previously, he served in various capacities at KEB since 1981, including most recently as Deputy General Manager in charge of administration of overseas offices for KEB's International Banking Division since February 2000; as General Manager for Retail Banking at the Chamsil Station Branch from March 1999 to February 2000; and as Manager, Secretariat from February 1997 to March 1999.

<TABLE>
<CAPTION>

STOCK OWNED ON 2004 (1)		COMMON BENEFICIALLY MARCH 24, 2004				
		YEAR FIRST ELECTED OR APPOINTED	AGE	NUMBER OF SHARES	OPTION SHARES (2)	
PERCENTAGE OF SHARES HELD WITH BANK OUTSTANDING (3)	NAME AND OFFICES OF SHARES	PRINCIPAL OCCUPATION FOR THE PAST FIVE YEARS				
<S>	<C>	<C>	<C>	<C>	<C>	
Donald D. Byun *	President, OTO Sportswear, Inc.	52	2000	61,600	7,392	
Director	(Manufacturing and Import Company)					
Sun Kee Kim *	Professor of Economics	70	2002	0	2,000	
Director	and Statistics, California State University, Los Angeles					
Kraig A. Kupiec *	Managing Member,	39	2000	0	7,392	
Director	Finance Operations, Shoreline Trading Group LLC (Securities Broker-Dealer) (1)					
David B. Warner *	President and Chief Executive	57	2002	0	6,000	
President, Chief Executive Officer and Director	Officer, Pacific Union Bank(2)					
Dianne Kim *	Senior Vice President	42	n/a	4,603	2,879	

Senior Vice President and Chief Financial Officer	and Chief Financial Officer, Pacific Union Bank(3)				
Dong Il Kim *	Senior Vice President	50	n/a	616	2,879
Senior Vice President and Chief Credit Officer	and Chief Credit Officer, Pacific Union Bank(4)				
Lisa K. Pai *	Senior Vice President, General	44	n/a	616	1,774
Senior Vice President, General Counsel & Secretary	Counsel and Secretary, Pacific Union Bank(5)				
Directors and *				67,435	19,776
Executive Officers as a Group (12 persons)					

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms F-7, F-8 and F-8A and amendments thereto furnished to the Bank during and with respect to its 2003 fiscal year, no director, executive officer or beneficial owner of 10% or more of the Bank's Common Stock failed to file, on a timely basis, reports required for 2003 by Section 16(a) of the Securities Exchange Act of 1934, as amended.

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(Certain footnotes appear on previous page.)

(8) Mr. Kupiec also serves as Financial Officer of KWK Management LLC, a California registered Investment Advisor located in Los Angeles.

(9) Mr. Warner has held this position since May 2003. Previously, he has been a self-employed financial advisor consulting with various entities since October 2001. Previously, he served as Deputy President and Chief Financial Officer of Seoul Bank in Seoul, Korea from July 2000 to September 2001; as Advisor/Director of the Korea Development Bank from December 1998 to June 2000; and as Senior Vice President for ChinaVest Limited in Hong Kong from 1994 to July 1998.

(10) Ms. Kim was appointed Senior Vice President and Chief Financial Officer of the Bank in May 2000. From 1996 until May 2000, she served as Vice President and Controller of Cathay Bank in Los Angeles.

(11) Mr. Dong Il Kim was appointed Senior Vice President and Chief Credit Officer of the Bank in November 2000. Previously, he served as Senior Vice President, Senior Loan Officer and Manager of the Bank's Special Assets Department from August 2000 to November 2000; as Senior Vice President and Senior Loan Officer from May 2000 to July 2000; as Vice President and Senior Loan Officer from January 2000 to May 2000; as Vice President and Manager of the Bank's Olympic Branch from 1997 to January 2000.

(12) Ms. Pai has been Senior Vice President, General Counsel and Secretary of the Bank since 2000. Previously, she served as Vice President, General Counsel and Secretary.

AUDIT COMMITTEE FINANCIAL EXPERT

The Bank's Audit Committee consists of Directors Kraig Kupiec, Sun Kee Kim and Ernest Dow. The Board of Directors has determined that each member of the Audit Committee has sufficient accounting related financial management expertise to serve on the Committee and that Ernest Dow meets the qualifications of an "audit committee financial expert" as such term is defined in the rules and regulations of the Securities and Exchange Commission. The members of the Audit Committee are all independent directors.

CODE OF ETHICS

The Bank has adopted a code of ethics applicable to all of its officers, directors and employees, including its principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The text of this code of ethics may be found on the Bank's web site at "www.pacificunionbank.com." The Bank intends to post notice of any waiver from, or amendment to, any provision of its code of ethics on its website.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth certain summary compensation information with respect to the Bank's Chief Executive Officer and only other executive officers of the Bank as of December 31, 2003, whose total salary and bonus for

the fiscal year ended December 31, 2003, exceeded \$100,000 (the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION	ALL OTHER COMPENSATION (14)
		SALARY	BONUS	OTHER	STOCK OPTIONS GRANTED (NUMBER OF SHARES) (13)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Woon Seok Hyun President and Chief Executive Officer(15)	2003	\$ 143,385 (16)	0	\$81,957 (18)	0	\$1,613
	2002	\$ 149,852	0	\$44,250 (18)	0	\$2,329
	2001	\$ 82,967 (17)	0	\$25,375 (18)	36,966	0
David B. Warner President and Chief Executive Officer(19)	2003	\$ 219,691 (20)	0	0	4,000	0
	2002	N/A			10,000	
	2001	N/A				
Oh Hoon Kwon Senior Vice President and Chief Operating Officer	2003	\$ 136,212	0	\$ 1,850 (21)	0	\$2,038
	2002	\$ 94,806	0	0	15,000	0
	2001	N/A	0	0	0	0

(13) As adjusted to reflect stock splits or dividends declared since the grant date of options (if applicable).

(14) Consists entirely of employer contributions to these individuals' accounts pursuant to the Bank's 401(k) Plan. The 401(k) Plan permits all participants to contribute up to 92% or \$12,000 of their annual salary (whichever is less) on a pre-tax basis, which contributions vest immediately when made. Employer contributions are made in the amount of 4.3% of annual compensation, up to a maximum of \$6,450, and become vested over a period of six years at the rate of 20% per year for third and fourth years of service, and 30% per year for the fifth and sixth years of service.

(15) Mr. Hyun served as President, CEO and director until May 22, 2003 and served as an advisor of the Bank from May 23, 2003 through November 22, 2003.

(16) Represents salary paid from January 1, 2003 through May 22, 2003 and advisor fee paid from May 23, 2003 through November 22, 2003.

(17) Represent salary paid from May 15, 2001 (commencement of Mr. Hyun's employment) through December 31, 2001.

(18) Consists of the severance pay of \$48,103 in 2003 and reported taxable value of the use of both a Bank-owned automobile (\$2,475 , \$8,250 and \$2,875 in 2003, 2002 and 2001, respectively) and a personal residence (\$31,379, \$36,000 and \$22,500 in 2003, 2002 and 2001, respectively).

(19) Mr. Warner began acting as interim President and Chief Executive Officer upon the resignation of Mr. Hyun in May 2003, and has agreed to remain as the President and Chief Executive Officer through the consummation of the merger of the Bank and Hanmi Financial Corp. See "Chief Executive Officer," below.

(20) Represents salary paid from May 23, 2003 (commencement of Mr. Warner's employment) through December 31, 2003.

(21) Represents a taxable value of the use of a Bank-owned automobile paid to Mr. Kwon.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION	ALL OTHER COMPENSATION (14)
		SALARY	BONUS	OTHER	STOCK OPTIONS GRANTED (NUMBER OF SHARES) (13)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Dianne Kim	2003	\$120,220 (22)	\$14,375 (23)	0	0	\$4,881

Senior Vice President and Chief Financial Officer	2002	\$113,515(22)	\$14,533(24)	0	2,200	\$5,297
	2001	\$109,144(22)	\$14,050	0	0	\$1,756
Dong Il Kim	2003	\$110,823(22)	\$13,375(23)	0	0	\$4,346
Senior Vice President and Chief Credit Officer	2002	\$101,070(22)	\$13,458(24)	0	2,200	\$4,662
	2001	\$ 96,118(22)	\$12,300	0	0	\$3,958
Lisa K. Pai	2003	\$121,670	\$20,1253	0	2,200	\$4,894
Senior Vice President, General Counsel and Corporate Secretary	2002	\$107,568	\$12,484	0	0	\$4,933
	2001	\$102,000	\$12,725	0	0	\$4,592

STOCK OPTION PLAN

The Bank's 2000 Stock Option Plan (the "Plan"), intended to advance the interests of the Bank by encouraging stock ownership on the part of key employees, was adopted by the Bank's then sole shareholder on May 12, 2000. The Plan provides for the issuance of both "incentive" and "non-qualified" stock options to full-time salaried officers and employees of the Bank and of "non-qualified" stock options to non-employee directors of the Bank. All options are granted at an exercise price of not less than 100% of the fair market value of the stock on the date of grant. (25) Each option expires not later than ten (10) years from the date the option was granted. Options are exercisable in installments as provided in individual stock option agreements; provided, however, that if an optionee fails to exercise his or her rights under the options within the year such rights arise, the optionee may accumulate them and exercise the same at any time thereafter during the term of the option. In addition, in the event of a "Terminating Event," i.e., a merger or consolidation of the Bank as a result of which the Bank will not be the surviving corporation, a sale of substantially all of the Bank's assets, or a change in ownership of at least 25% of the Bank's stock, all outstanding options under the Plan shall become exercisable in full (subject to certain notification requirements), and shall terminate if not exercised within a specified period of time, unless provision is made in connection with the Terminating Event for assumption of such options, or substitution of new options covering stock of a successor corporation. As of December 31, 2003, the Bank employees had options outstanding to purchase a total of 281,280 shares(26) of its Common Stock under the Plan, with an average exercise price of \$13.80 per share(26) with respect to all such options. As of that same date, the fair market value of the Bank's common stock was \$25.47 per share.

(22) Includes portions of these individuals' salaries which were deferred pursuant to the Bank's 401(k) Plan.

(23) Consists of bonuses paid in 2004 based on 2003 performance. The deferred portion of the 2003 year-end bonus for Mr. Dong Il Kim and Ms. Dianne Kim have not been added yet because they have not yet been approved by the Compensation Committee as of this filing.

(24) Consists of bonuses paid in 2003 based on 2002 performance.

(25) Exercised price per share is equivalent to market price per share on the date of grant, as determined by the Board of Directors of the Bank, based upon trades in the Bank's Common Stock known to the Bank and opening and closing prices quoted on the Nasdaq National Market concerning the Bank's Common Stock.

(26) As adjusted to reflect stock splits or dividends declared since the grant date of options.

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The following table furnishes certain information regarding stock options granted to the Named Executive Officers during 2003:

NAME	NUMBER OF OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES DURING		EXERCISE OR BASE PRICE	EXPIRATION DATE	FAIR VALUE (26)
		PERIOD	PERIOD			
David B. Warner	4,000	4.90%		\$12.86	5/22/13	\$8,120
Lisa K. Pai	2,200	2.69%		\$18.30	12/25/08	\$6,358

The following Named Executive Officers exercised their options during 2003:

NAME	NUMBER OF EXERCISED OPTIONS	VALUE REALIZED ON EXERCISE

<S>	<C>	<C>
Woon Seok Hyun	36,960	\$49,713

</TABLE>

The following information is furnished with respect to stock options held by the Named Executive Officers at December 31, 2003:

<TABLE>
<CAPTION>

NAME	NUMBER OF UNEXERCISED OPTIONS AT DECEMBER 31, 2003 (27)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2003 (28)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>
David B. Warner	6,000	8,000	\$66,620	\$64,720
Oh Hoon Kwon	3,000	12,000	\$24,270	\$97,080
Dianne Kim	2,879	3,387	\$50,140	\$45,311
Dong Il Kim	2,879	3,387	\$50,140	\$45,311
Lisa K. Pai	1,774	3,383	\$33,880	\$38,367

</TABLE>

COMPENSATION OF DIRECTORS

Directors of the Bank who are not employees of either the Bank or KEB ("outside directors") received \$1,500 per month, and the Chairman of the Board received \$10,057.20 per month, for their service on the Board of Directors during 2003, plus \$700 for attendance at the organizational meeting of the Board of Directors. These outside directors also received a year-end bonus amounting to one extra month of their regular fees. Such directors (other than the Chairman of the Board) also received \$500 per meeting (\$250 if by teleconference) for attendance at Loan Committee meetings; and \$300 per meeting (\$150 if by teleconference) for Audit, Compensation, CRA, Executive, Strategic Plan Steering, CEO Search and Special Independent Outside Directors' Committee meetings, except for the Chairman of the Audit and Special Independent Outside Directors' Committees who received \$500 (\$250 if by teleconference) per Audit and Special Independent Outside Directors' Committee meetings

During 2003 directors Ernest E. Dow and Oh Kyung Kwon were each granted a stock option to purchase 10,000 shares of common stock, and Jin Kon Park was granted a stock option to purchase 15,000 shares of common stock, all at exercise prices of \$15.17 per share, expiring in June 2013. All of such options become exercisable at the rate of 20% per year commencing one year from the date of grant. No stock options were exercised by any current directors during 2003. As of December 31, 2003

- - - - -

(26) The fair value of options was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: no dividend yield, expected volatility of 39%, risk-free interest rate of 3.49% and expected life of five years.

(27) As adjusted to reflect any stock splits or dividends declared since the grant date of options (if applicable). Represents the excess of the aggregate fair market value over the aggregate exercise price of the shares at December 31, 2003.

(28) Represents the excess of the aggregate fair market value over the aggregate exercise price of the shares at December 31, 2003.

directors Ernest E. Dow, Oh Kyung Kwon and Jin Kon Park held the outstanding options described in the first sentence of this paragraph, none of which were exercisable; and directors David B. Warner, Oh Hoon Kwon, Yong Koo Kim, Sun Kee Kim, Donald D. Byun, and Kraig A. Kupiec held outstanding stock options to purchase 69,000 shares. As of that same date, the fair market value of the Bank's Common Stock was \$25.47 per share. As of December 31, 2003, all of the options to Messrs. Oh Hoon Kwon, Yong Koo Kim, and Sun Kee Kim were exercisable as to forty percent (40%) of such shares and all of the options to Messrs. Donald Byun and Kraig Kupiec were exercisable as to sixty percent (60%) of such shares. As for Mr. Warner, 6,000 of the total 14,000 shares were exercisable as of December 31, 2003. Information concerning stock options held by directors who are also Named Executive Officers is set forth above under "Stock Options."

PERFORMANCE GRAPH

The following graph compares the yearly percentage change in the cumulative total shareholders' return on the Bank's stock with the cumulative total return of (i) the Nasdaq market index and (ii) an index comprised of banks and bank holding companies located throughout the United States with total assets of between \$500 million and \$1 billion. The latter peer -group index was compiled by SNL Securities LP of Charlottesville, Virginia. The Bank reasonably believes that the members of the second group listed above constitute peer

issuers for the period from August 1, 2000 (conclusion of the Bank's initial public offering) through December 31, 2003. The graph assumes an initial investment of \$100 and reinvestment of dividends. The graph is not necessarily indicative of future price performance.

[PERFORMANCE GRAPH]

<TABLE>
<CAPTION>

INDEX	PERIOD ENDING				
	08/01/00	12/31/00	12/31/01	12/31/02	12/31/03
<S>	<C>	<C>	<C>	<C>	<C>
Pacific Union Bank	100.00	124.19	149.03	182.97	408.70
NASDAQ - Total US	100.00	185.95	113.19	89.65	61.67
SNL \$500M-\$1B Bank Index	100.00	107.25	139.14	177.65	256.16

* Source: CRSP, Center for Research in Security Prices, Graduate School of Business, The University of Chicago 2003. Used with permission. All rights reserved.

RETENTION AND SEVERANCE ARRANGEMENTS

EMPLOYEE AGREEMENTS

The Bank's Chief Executive Officer, David Warner, has entered into a written employment agreement with the Bank as of May 22, 2003. This agreement can be terminated by either party with two-weeks prior notice, and does not provide for a severance payment in the event of termination of employment after the initial six months of employment. Under the agreement, Mr. Warner is provided with standard perquisites including housing and travel allowances. A copy of this agreement is attached as an exhibit to the 10-K.

Mr. Warner also has an agreement with the Trustee in connection with his continuing employment as President and CEO of the Bank. Under such agreement, Mr. Warner is eligible to receive \$120,000 from the Trustee payable on the 3-month anniversary following the consummation of a change-in-control. A copy of this agreement is attached as an exhibit to the 10-K.

The Bank's Senior Vice President, General Counsel and Corporate Secretary, Lisa Pai, also has entered into a written employment agreement with the Bank which was last renewed as of July 1, 2003. This agreement will terminate on June 30, 2004 unless it is terminated earlier with sixty-days prior notice or is renewed. Under such agreement, Ms. Pai is provided with standard perquisites including a car allowance. A copy of this agreement is attached as an exhibit to the 10-K.

SEVERANCE AND RETENTION AGREEMENTS

Certain of the Named Executive Officers would receive a severance payment under the Bank's severance plan if such Named Executive Officer's employment is terminated within one year following the consummation of a change-in-control. If this severance payment obligation is triggered, such Named Executive Officer would be entitled to receive a lump-sum payment of two weeks equivalent base pay for each year of service with the Bank up to 13 years plus an additional one-half week equivalent base pay for each year of service with the Bank in excess of 13 years.

Certain Named Executive Officers also participate in the Bank's retention plan which provides for a payment equal to two months of base pay if such Named Executive Officer remains employed with the surviving company through the retention date after the consummation of a change-in-control.

BOARD OF DIRECTORS' COMPENSATION COMMITTEE REPORT

The Board of Directors' Compensation Committee is responsible for administering the compensation program for certain designated Senior Executive Officers of the Bank who are not appointed by KEB (Chief Financial Officer, Chief Credit Officer, and Chief Risk Officer). The Committee also serves as the Stock Option Committee, administering the 2000 Stock Option Plan for participants who are neither directors nor executive officers.

The Bank provides any retiring outside director who is not an employee of the Bank or Korea Exchange Bank with severance compensation equal to six times such director's monthly director fee.

Upon Mr. Park's retirement from the Bank's Board of Directors, the Bank will provide him with retirement compensation equal to 20% of his annual fee, severance compensation equal to six times his monthly fee, a housing allowance for the six-month period following his retirement, and reimbursement of moving expenses.

The Compensation Committee reviews compensation of the above-named Senior Executive Officers of the Bank and ensures that their compensation is linked to the maximum extent practicable to the financial performance of the Bank and the achievement of goals established by the Board. The Compensation Committee or the Board of Directors also reviews and approves any contracts of employment for the above-named Senior Executive Officers.

The Committee is required annually, or on whatever basis it deems satisfactory, to review the performance of the above-named Senior Executive Officers based on performance evaluations prepared by management. Such reviews take into account the Bank's profitability, growth, and asset quality.

CHIEF EXECUTIVE OFFICER

The former Chief Executive Officer, Woon Seok Hyun, is a retired Korea Exchange Bank officer who was appointed by the Board based on the recommendation of KEB and who has served as CEO until May 22, 2003. His compensation was set by

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KEB. Consequently, the Compensation Committee or the Board of Directors established no other factors or criteria upon which his compensation was based, and accepted the principles followed by KEB. However, the Compensation Committee did review his compensation and determined, based on comparison to executive compensation being paid by other comparable banks, that his compensation was somewhat below market.

The current Chief Executive Officer, David B. Warner (who had previously served as one of the independent outside directors,) was originally selected by the Board of Directors to serve as CEO only on an interim basis until the Search Committee found a replacement for his predecessor. As such, his interim CEO compensation was approved by the full Board of Directors with the understanding that his term would be approximately six months or less, and was not specifically linked to his individual or the Bank's overall financial performance. The Search Committee actively searched for a non-interim successor CEO until KEB announced its intention to sell its majority interest in the Bank. Shortly thereafter, in November 2003, the Board of Directors and Mr. Warner agreed that Mr. Warner would continue to serve as the Bank's President and CEO until the consummation of the proposed sale of shares of the Bank owned by KEB, which are to be sold immediately prior the consummation of the merger of the Bank and Hanmi Financial Corp. until any other time that the Board deems is necessary to effectuate such sale or a merger.

KOREA EXCHANGE BANK OFFICERS ON ASSIGNMENT WITH PACIFIC UNION BANK

The Bank's majority shareholder, KEB, typically recommends highly experienced officers from its organization to serve as Pacific Union Bank's top management, on assignments of typically two to three year duration. Following the completion of their assignment, such officers return to KEB.

Of all of the Senior Executive Officers who served during 2003, two (including the former Chief Executive Officer as one) are current or were retired KEB officers on such assignments. In 2003, they were Woon Seok Hyun, the former President and Chief Executive Officer who has served from May 15, 2001 to May 22, 2003, and Oh Hoon Kwon, Senior Vice President and Chief Operating Officer. Under the assignment arrangement, these two KEB officers were compensated based on criteria established by KEB for its personnel in the United States.

Following the consummation of the merger with Hanmi Financial Corp., KEB's management rotation system will cease.

OTHER SENIOR EXECUTIVE OFFICERS

The Compensation Committee has reviewed compensation levels of the above-named non-KEB Senior Executive Officers and has determined that they are competitive. Moreover, the Compensation Committee has reviewed and determined that their annual increases and the mid-year and year-end incentive bonuses were appropriately based on their individual performances as well as the Bank's overall financial performance.

INCENTIVE-BASED COMPENSATION

In order to (i) provide an additional incentive for the Bank's officers and employees to contribute to the Bank's success, (ii) encourage their increased stock ownership in the Bank, and (iii) enable the Bank to be competitive in the industry with respect to compensation packages, the Board of Directors adopted a Stock Option Plan in 2000. Details concerning the Stock Option Plan and options granted thereunder to the Named Executive Officers are set forth above under "Stock Options."

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COMPENSATION COMMITTEE INTERLOCKS

The Compensation Committee is currently composed of three directors, none of whom is a current or former employee of the Bank or any subsidiary. However, Mr. Oh Kyung Kwon is currently an officer and employee of KEB, but not of the Bank, and Mr. Jin Kon Park is a retiree of KEB.

Compensation Committee:

Ernest E. Dow, Chairman
Jin Kon Park
Oh Kyung Kwon

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Management knows of no person who owns beneficially more than five percent (5%) of the outstanding Common Stock of the Bank, except for Korea Exchange Bank ("KEB") and Wellington Management Company, LLP ("Wellington"). The following table furnishes information, as of March 24, 2004, regarding these shareholders:

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
<S> Common Stock	<C> L. Dale Crandall, as the sole trustee of a trust created pursuant to a Trust Agreement dated October 31, 2003 between Korea Exchange Bank, as grantor and L. Dale Crandall, as trustee 105 King Avenue Piedmont, California 94610	<C> 6,624,052	<C> 62.0%

</TABLE>

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2003, with respect to options outstanding and available under the Bank's 2000 Stock Option Plan, which is the Bank's only equity compensation plan other than employee benefit plans meeting the qualification requirements of Section 401(a) of the Internal Revenue Code

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE
<S> Equity compensation plans approved by security holders	<C> 281,280	<C> \$13.80	<C> 359,454

</TABLE>

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain of the executive officers, directors and principal shareholders of the Bank and the companies with which they are associated have been customers of, and have had banking transactions with, the Bank in the ordinary course of the Bank's business since January 1, 2003, and the Bank expects to continue to have such banking transactions in the future. All loans and commitments to lend included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of similar creditworthiness, and in the opinion of Management of the Bank, did not involve more than the normal risk of repayment or present any other unfavorable features.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed the Bank for the fiscal years ended 2003 and 2002 by the Bank's principal accounting firms were as follows:

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	2003	2002
<S>	<C>	<C>
Audit Fees	\$155,000	\$103,100
Audit Related Fees	\$ -	\$ -
Tax Fees	\$ 17,500	\$ 17,500
All other Fees	\$ 40,000	\$ -

</TABLE>

Tax fees in 2003 and 2002 related to tax return preparation fees. All other fees billed in 2003 related to professional services rendered in

connection with the review of financial statements included in the Bank's S-4 Registration Statement with respect to its prospective merger with Hanmi Financial Corp.

None of the fees paid by the Bank to its independent auditors during 2003 and 2002 was paid under the de minimus safe harbor exception from pre-approval requirements.

AUDIT COMMITTEE PRE-APPROVAL POLICIES

For audit services, the independent auditor will provide the Committee with an engagement letter and a related audit services fee proposal during the second quarter of each year outlining the scope of the audit services proposed to be performed during the fiscal year which fee proposal must be pre-approved by the Audit Committee.

For any non-audit services to be provided by the independent auditor, the Bank's management will submit to the Committee for approval the non-audit services required together with a budget estimating non-audit services costs prior to Management engaging the independent auditor for non-audit services. The Bank's management and the independent auditor will each confirm to the Committee that each non-audit service requisitioned is permissible under all applicable legal requirements

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) EXHIBITS

See Index to Exhibits on page 75 herein. The Exhibits listed in accompanying Index to Exhibits are filed as part of this report.

(b) FINANCIAL STATEMENT SCHEDULES

Schedules to the financial statements are omitted because the required information is not applicable or the information is presented in the Bank's financial statements or related notes.

(c) REPORTS ON FORM 8-K

The following reports on Form 8-K were filed during last quarter of the Bank's fiscal year ended December 31, 2003.

On October 21, 2003, the Bank issued an earnings release concerning its results of operations and financial condition as of and for the calendar quarter ended September 30, 2003.

On November 3, 2003, the Bank filed a report on Form 8-K with respect to a transfer by its majority shareholder, Korea Exchange Bank ("KEB"), of 6,624,052 shares of common stock (the "Shares") of Registrant, representing 62.1% of the Registrant's issued and outstanding common stock as of October 31, 2003, to a trust (the "Trust") which was created pursuant to a Trust Agreement dated October 31, 2003 by and between KEB, as grantor, and L. Dale Crandall, as trustee (the "Trustee").

On December 10, 2003, the Bank filed another report on Form 8-K with respect to an oral indication by the Trustee to the Special Committee of the Bank's Board of Directors that the Trustee would not pursue a transaction that excludes minority shareholders of the Registrant if a financially viable alternative transaction is available that includes all shareholders of the Registrant.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: March 25, 2004

PACIFIC UNION BANK,
a California corporation

By: /s/ Dianne Kim

Dianne Kim
Senior Vice President
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE> <CAPTION>		
SIGNATURE	TITLE	DATE
<S> /s/ Jin Kon Park	<C> Chairman of the Board	<C> March 25, 2004

Jin Kon Park		
/s/ David Warner, Jr.	President, Chief Executive Officer and Director	March 25, 2004

David Warner, Jr.		
/s/ Oh Hoon Kwon	Senior Vice President, Chief Operating Officer and Director	March 25, 2004

Oh Hoon Kwon		
/s/ Oh Kyung Kwon	Director	March 25, 2004

Oh Kyung Kwon		
/s/ Yong Koo Kim	Director	March 25, 2004

Yong Koo Kim		
/s/ Donald Byun	Director	March 25, 2004

Donald Byun		
/s/ Kraig A. Kupiec	Director	March 25, 2004

Kraig A. Kupiec		
/s/ Sun Kee Kim	Director	March 25, 2004

Sun Kee Kim		
/s/ Ernest E. Dow	Director	March 25, 2004

Ernest E. Dow		
/s/ Dianne Kim	Senior Vice President and Chief Financial Officer	March 25, 2004

Dianne Kim		

INDEX TO EXHIBITS

<TABLE> <CAPTION>		
EXHIBIT TABLE REFERENCE NUMBER	ITEM	EXHIBIT TABLE NUMBER

<S>	<C>	<C>
2.1	Hanmi Merger Agreement and Plan of Merger with Hanmi Financial Corp.....	1
3.1	Articles of Incorporation, as Amended(1).....	
3.2	2002 Amendment to Articles of Incorporation(2).....	
3.3	Bylaws, as Amended(1).....	
3.4	2001 Amendment to Bylaws(3).....	
4.1	Specimen of Common Stock Certificate(1).....	
10.1	2000 Stock Option Plan(1).....	
10.2	401(k) Plan(3).....	
10.3	Lease for Corporate Headquarters(1).....	
10.4	Lease for Western Branch Office(1).....	
10.5	Lease for Wilshire Branch Office(1).....	
10.6	Lease for Downtown Branch Office(1).....	
10.7	Lease for Van Nuys Branch Office(1).....	
10.8	Lease for Torrance Branch Office(1).....	

10.9	Lease for Rowland Heights Branch Office(1).....	
10.10	Severance and Retention Plan.....	2
10.11	Retention Agreement with David Warner.....	3
11.1	Statement Regarding Computation of Earnings Per Share(4).	
21.1	Subsidiary of Registrant(1).....	
31.1	Certification of Chief Executive Officer.....	
31.2	Certification of Chief Financial Officer.....	
32.1	Certification of Periodic Financial Report.....	

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(1) Incorporated by reference to the Exhibits to the Bank's Form 10 Registration Statement, as filed with the FDIC on June 12, 2000.

(2) Incorporated by reference to the Exhibits to the Bank's Form 10K, as filed with the FDIC on April 1, 2003.

(3) Incorporated by reference to the Exhibits to the Bank's Form 10K/A, as filed with the FDIC on April 20, 2001.

(4) The information required by this exhibit is incorporated herein by reference from Note 15 of the Bank's Financial Statements included herein.

CERTIFICATION

I, David Warner Jr., President and Chief Executive Officer of Pacific Union Bank, certify that:

- I have reviewed this annual report on Form 10-K of Pacific Union Bank;
- Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Bank as of, and for, the periods presented in this annual report;
- The Bank's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Bank and we have:
 - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - Disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- The Bank's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors:
 - All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal controls over financial reporting

Date: March 25, 2004

/s/ David Warner, Jr.

David Warner, Jr.
President, Chief Executive Officer and Director

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EXHIBIT 31.2

CERTIFICATION

I, Dianne Kim, Senior Vice President and Chief Financial Officer of Pacific Union Bank, certify that:

1. I have reviewed this annual report on Form 10-K of Pacific Union Bank;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Bank as of, and for, the periods presented in this annual report;
4. The Bank's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures (as defined in Exchange Act Rules 15(e) and 15d-15(e)) for the Bank and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The Bank's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal controls over financial reporting

Date: March 25, 2004

/s/ Dianne Kim

Dianne Kim
Senior Vice President and Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

Each of the undersigned hereby certifies in his or her capacity as an officer of Pacific Union Bank (the "Bank") that the Annual Report of the Bank on Form 10-K for the fiscal year ended December 31, 2003 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition of the Bank at the end of such period and the results of operations of the Bank for such period.

PACIFIC UNION BANK

Date: March 25, 2004 By /s/ David Warner, Jr.

David Warner, Jr.
President and Chief Executive Officer

Date: March 25, 2004 By /s/ Dianne Kim

Dianne Kim
Chief Financial Officer