

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549-1004

**FORM 8-K**  
CURRENT REPORT

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

Date of Report (Date of earliest event reported): **January 30, 2003**

**Hanmi Financial Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**95-4788120**  
(I.R.S. Employer  
Identification No.)

**Commission File Number: 000-30421**

**3660 Wilshire Blvd.**  
**Los Angeles, California 90010**

(Address of principal executive offices and zip code)

**(818) 382-2200**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name or former address, if changed since last report)

---

**TABLE OF CONTENTS**

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

SIGNATURES

EXHIBIT INDEX

EXHIBIT 99.1

EXHIBIT 99.2

EXHIBIT 99.3

EXHIBIT 99.4

EXHIBIT 99.5

EXHIBIT 99.6

EXHIBIT 99.7

EXHIBIT 99.8

EXHIBIT 99.9

EXHIBIT 99.10

EXHIBIT 99.11

EXHIBIT 99.12

---

[Table of Contents](#)

**ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.**

(a) Financial Statements of Businesses Acquired.

Not Applicable.

(b) Pro Forma Financial Information.

Not Applicable.

(c) Exhibits.

Unless otherwise included herein, exhibits to the following documents are not included in, or made part of, this Current Report on Form 8-K.

<u>Exhibit No.</u>	<u>Exhibit</u>
99.1	Pacific Union Bank Annual Report on Form 10-K/A for the fiscal year ended December 31, 2002.
99.2	Pacific Union Bank Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
99.3	Pacific Union Bank Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
99.4	Pacific Union Bank Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
99.5	Pacific Union Bank Current Report on Form 8-K dated April 8, 2003.
99.6	Pacific Union Bank Current Report on Form 8-K dated April 21, 2003.
99.7	Pacific Union Bank Current Report on Form 8-K dated July 23, 2003.
99.8	Pacific Union Bank Current Report on Form 8-K dated August 27, 2003.
99.9	Pacific Union Bank Current Report on Form 8-K filed on September 19, 2003.
99.10	Pacific Union Bank Current Report on Form 8-K dated December 9, 2003.
99.11	Pacific Union Bank Current Report on Form 8-K dated December 22, 2003.
99.12	Description of Pacific Union Bank's capital stock (as included in Pacific Union Bank's Form 10 filed on June 13, 2000 as amended on June 28, 2000).

---

**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: January 30, 2004

Hanmi Financial Corporation

By: /s/ Jae Whan Yoo

---

Jae Whan Yoo  
President and Chief Executive Officer

---

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Exhibit</b>
99.1	Pacific Union Bank Annual Report on Form 10-K/A for the fiscal year ended December 31, 2002.
99.2	Pacific Union Bank Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
99.3	Pacific Union Bank Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
99.4	Pacific Union Bank Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
99.5	Pacific Union Bank Current Report on Form 8-K dated April 8, 2003.
99.6	Pacific Union Bank Current Report on Form 8-K dated April 21, 2003.
99.7	Pacific Union Bank Current Report on Form 8-K dated July 23, 2003.
99.8	Pacific Union Bank Current Report on Form 8-K dated August 27, 2003.
99.9	Pacific Union Bank Current Report on Form 8-K filed on September 19, 2003.
99.10	Pacific Union Bank Current Report on Form 8-K dated December 9, 2003.
99.11	Pacific Union Bank Current Report on Form 8-K dated December 22, 2003.
99.12	Description of Pacific Union Bank's capital stock (as included in Pacific Union Bank's Form 10 filed on June 13, 2000 as amended on June 28, 2000).

-----  
 FEDERAL DEPOSIT INSURANCE CORPORATION  
 WASHINGTON, D.C. 20006  
 -----

FORM 10-K/A

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

FDIC Certificate Number 21765

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA	95-2888370
State or other jurisdiction of incorporation or organization	I.R.S. Employer Identification Number

3530 WILSHIRE BLVD. #1800	90010
LOS ANGELES, CALIFORNIA	Zip Code
Address of principal executive offices	

(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 \$46,793,640 as of March 13, 2003.

The number of shares of Common Stock of the registrant outstanding as of March 13, 2003 was 10,621,554.

Documents Incorporated by Reference: None

This Annual Report consists of a total of 79 pages.

The Exhibit Index appears on page 75.

-----  
 This Report on Form 10-K is being amended to include all of the information called for in Items 10 through 13, which will no longer be incorporated by reference to the Bank's definitive proxy materials for the 2003 Annual Meeting of Shareholders.

## TABLE OF CONTENTS

<TABLE>  
 <S>  
 PART I

&lt;C&gt;

Item 1. Business.....	.....
Item 2. Properties.....	.....

Item 3. Legal Proceedings.....

Item 4. Submission of Matters to a Vote of Security Holders.....

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholders Matters.....

Item 6. Selected Financial Data.....

Item 7. Management's Discussion and Analysis of Financial Condition  
and Results of Operation.....

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.....

Item 8. Financial Statements and Supplementary Data.....

Item 9. Changes in and Disagreements with Accountants on  
Accounting and Financial Disclosure.....

PART III.....

Item 10. Directors and Executive Officers of the Registrant.....

Item 11. Executive Compensation.....

Item 12. Security Ownership of Certain Beneficial Owners and Management.....

Item 13. Certain Relationships and Related Transactions.....

Item 14. Controls and Procedures.....

PART IV.....

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.....

SIGNATURES.....

CERTIFICATIONS OF DISCLOSURE CONTROLS AND PROCEDURES.....

INDEX TO EXHIBITS.....

</TABLE>

PART I

ITEM 1. BUSINESS

GENERAL

Pacific Union 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. In May 2000, the Bank changed its name from "California Korea Bank" to "Pacific Union Bank" in order to reflect the Bank's expectation of expanding operations beyond the State of California. 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, 2002, the Bank had total assets of \$937.0 million, total deposits of \$760.0 million and total loans of \$683.1 million. 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. KEB currently owns approximately 62.4% of the issued and outstanding shares of the Bank's Common Stock. 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 eight 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 de novo full-service branch offices and LPOs. 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, other than as

set forth below, in which it intends to acquire or establish a new branch office. The Bank was in the process in 2000 of negotiating with KEB to acquire certain assets and assume certain liabilities of one of KEB's FDIC insured branches in New York, New York (the "KEB branch"). In May 2000, KEB together with its U.S. Branches entered into a consent order to rectify deficiencies of the Bank Secrecy Act ("BSA") with the Federal Reserve Board and the relevant state banking authorities, including the California Department of Financial Institutions, as a result of which the Bank determined to suspend negotiation with respect to the acquisition of the KEB branch. Subsequently, in March 2002, the Bank entered into a similar consent order concerning BSA deficiencies (see Item 3. "Legal Proceedings" below). The Management intends to reevaluate the proposed acquisition of the KEB branch as soon as it is practicable to do so following the lifting of the consent orders; however, there can be no assurance that the consent orders will be lifted in the near future or that if lifted the Bank and KEB will determine to proceed with the acquisition of the assets and liabilities of the KEB branch.

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 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. As of December 31, 2002, the Bank had approximately 45,900 deposit accounts with an average balance per account of \$17,000, compared to 45,200 deposit accounts with an average balance of \$15,000 per account at December 31, 2001. At December 31, 2002, the Bank's deposits consisted of \$223.4 million or 29.4% in noninterest-bearing demand accounts; \$126.3 million or 16.6% in money market accounts; \$7.6 million or 1.0% in Super NOW accounts; \$44.2 million or 5.8% in savings accounts and \$358.5 million or

47.2% 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, 2002, 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 57.9%; (ii) commercial and industrial loans 18.4%; (iii) SBA loans 10.9%; (iv) residential estate loans 5.5%; and (v) "Bills Bought" (extensions of credit to banks in South Korea in the form of letters of credit discount transactions) 1.0%. 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. We are in the process of implementing Cash Management Service via the Internet and expect to complete this in the near future. Cash Management Service via the Internet is designed to support the cash management needs of small business customers by making their companies' finances more easily and efficiently accessible using the Internet. 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 seven locally owned and operated Korean-American banks including a bank which was opened in 2002 and one subsidiary of a South Korean bank. Currently, there is one Korean-American bank 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 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, two branches of a Los Angeles-based Korean-American bank 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 LPO's in the Seattle area.

In addition to competition from banks in its niche market, the Bank competes with large commercial banks which 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 recently enacted Financial Modernization Act effective March 11, 2000, which has made it possible for full affiliations to occur between banks and securities firms, insurance companies, and other financial companies, 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, 2002, the Bank had a total of 250 full time employees and 15 part-time employees. Three of these individuals are seconded 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. In addition, the CEO is a former KEB employee who was appointed to the Bank upon his retirement from KEB. KEB intends to continue to have significant involvement in the selection of individuals to fill certain of the Bank's management positions. See "Risk Factors-Management Rotation."

#### 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. Supplemental 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, 2002 and 2001, the Bank's Total Risk-Based Capital Ratios were 15.95% and 16.07%, respectively and its Tier 1 Risk-Based Capital Ratios were 14.70% and 14.82%, 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.

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, 2002 and 2001, the Bank's Leverage Capital Ratios

were 11.56% and 10.77%, 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. Although the Bank meets the minimum total risk-based, Tier I risk based and Tier 1 leverage ratios to be considered well-capitalized, because it is currently subject to a consent order concerning its BSA deficiencies, it is not currently 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	10
Adequately Capitalized.....	3	10	24
Undercapitalized.....	17	24	27

</TABLE>

In addition, BIF member banks (such as the Bank) must pay an amount which fluctuates but is currently 1.68 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 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 new 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 new 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 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; and
- 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 implemented the requirements of the Patriot Act during 2001 and 2002. Compliance with such requirements has substantially 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 3 - Legal Proceedings" and "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 anticipate that we will 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 the Bank to its executive officers and directors. However, the Act contains a specific exception from such prohibitions for loans by the 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.

#### 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.

#### CONTROL OF THE BANK BY KEB

KEB owns approximately 62.4% of the Bank's Common Stock. In addition, while KEB may sell additional shares of its Common Stock in the future, KEB has indicated that it does not intend to allow its ownership level in the Bank to decrease below a majority of the Bank's issued and outstanding shares for the foreseeable future, except under certain circumstances. Specifically, KEB has indicated to the Bank that in the case of a merger or acquisition in which the Bank issues stock as part of the purchase price, KEB may consider allowing its ownership of the Bank to decrease to below 50%. However, there is no assurance that KEB will agree to do so. As long as KEB maintains its majority interest,

KEB will continue to be able to elect a majority of the Bank's directors, and effectively control the shareholder vote on any and all matters, including determinations such as approval of mergers or other business combinations, sales of assets, and any other matters submitted to shareholders. In addition, KEB's policies or the bank regulatory authorities of South Korea may require the Bank to consult with KEB prior to making certain business or budgeting decisions, organizational changes, or revisions to certain policies. While in general KEB's interests would tend to be consistent with those of the Bank's other shareholders, there can be no assurance that this will always be the case.

KEB's ability to prevent a change in control of the Bank could have an adverse effect on the market price for the Bank's Common Stock by discouraging bids that might result in a premium over the market price for the holders of the Common Stock. The Bank's current Board of Directors consists of a majority of outside directors (i.e., directors who are neither employees of the Bank nor KEB); however, KEB's majority ownership would allow KEB to change the composition of the Bank's Board of Directors so that the Bank would not have a majority of outside directors.

#### POOR ECONOMIC CONDITIONS IN SOUTHERN CALIFORNIA MAY CAUSE THE BANK TO SUFFER HIGHER DEFAULT RATES ON ITS LOANS

A substantial majority of the Bank's assets and deposits are generated in the greater Los Angeles area in Southern California. As a result, poor economic conditions in the Los Angeles area may cause us to incur losses associated with higher default rates and decreased collateral values in the loan portfolio. The Los Angeles area has experienced a downturn in economic activity in line with the slowdown in California during the past year. Economic activity slowed significantly immediately following the September 11, 2001 terrorist attacks. Unemployment levels have increased since mid 2001, especially in Los Angeles County, which is our geographic center and the base of our deposit and lending activity. In addition, it is likely that the negative effect on the national economy as a result of the war against Iraq will be significant. In the early 1990s, the entire state of California experienced an economic recession that resulted in increases in the level of delinquencies and losses for many of the state's financial institutions. Although, the Bank's level of nonperforming assets in 2002 decreased from its level of non-performing assets in 2001, and should the current conditions deteriorate, we expect that our level of problem assets would increase accordingly. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation - Nonperforming Assets."

#### DIVIDENDS

Prior to the Bank's initial public offering, KEB, as the sole shareholder of the Bank, had been paid cash dividends from time to time. The Bank paid a \$8 million cash dividend in 2000. However, the Bank's dividend payment history with KEB is not indicative of cash dividends to be paid in the future, and the Bank has not paid a cash dividend since the payment of a cash dividend to KEB in 2000.

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 as well as the receipt of any necessary regulatory approvals. 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. This practice has continued since the initial public offering, although the Bank has reduced the total number of such officers.

KEB's continued 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. Both KEB and the Bank intend to use their best efforts to promote the continuity and stability of Bank management. However, no assurance can be given that the Bank will be successful in retaining any specific existing members of senior management.

#### 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. The Bank's recent and anticipated future growth outside of its 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 CONCENTRATIONS

Approximately \$395.8 million or 57.9% of the Bank's loan portfolio at December 31, 2002, and \$312.0 million or 54.4% of the Bank's loan portfolio at December 31, 2001 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's loan portfolio is also predominantly secured by real estate in California. Conditions in the California real estate market can and historically have strongly influenced the level of the Bank's nonperforming loans and its results of operations. Real estate values are affected by, among other things, changes in general or local economic conditions, changes in governmental rules or policies, the availability of loans to potential purchasers and acts of nature. In the early 1990's, the California economy experienced an economic recession that resulted in increases in the level of delinquencies and losses for the Bank as well as for many of the state's other financial institutions. Another recession in California, particularly with respect to real estate prices, or the occurrence of a natural disaster, could have a material adverse effect on the Bank. See "Poor Economic Conditions May Cause us to Incur Losses, " above.

In addition, historically, California has experienced, on occasion, significant natural disasters, including earthquakes, brush fires and, during early 1998, flooding attributed to the weather phenomenon known as "El Nino." The availability of insurance for losses from such catastrophes is limited. The occurrence of one or more of such catastrophes could impair the value of the collateral for the Bank's real estate secured loans and adversely affect the Bank. Further, during 2002 real estate prices in Southern California, including the Los Angeles area, rose precipitously. If real estate prices were to fall in Southern California, the security for many of our real estate secured loans could be reduced and we could incur significant losses if borrowers of real estate secured loans default, and the value of our collateral is insufficient to cover our losses.

#### ASSET QUALITY

The Southern California economy and the real estate market in particular suffered from the effects of a recession in the first half of the 1990's. Some of the effects of the recession were declines in property values and decreased demand for goods and services. The recession also had an adverse effect on the ability of certain borrowers to perform under the original terms of their obligations to the Bank. The Bank was adversely affected by these market conditions due to its lending focus on secured real estate loans, government guaranteed loans and other commercial loans, both unsecured and

secured by real estate and other assets. Economic conditions in Southern California have again deteriorated in 2002. This deterioration, if prolonged or intensified, would likely have a material adverse effect on the cash flows of borrowers and their ability to repay outstanding loans, the value of the Bank's real estate and the demand for new loan originations and could negatively impact the Bank's financial condition or results of operations. A significant source of risk for the Bank arises from the possibility that losses will be sustained because borrowers, guarantors and related parties may fail to perform in accordance with the terms of their loan agreements. For last three years, the Bank incurred no losses on its commercial real estate loan portfolio. The Bank has adopted underwriting and credit monitoring procedures and credit policies that Management believes are appropriate to minimize this risk by assessing the likelihood of nonperformance, tracking loan performance and diversifying the Bank's loan portfolio. Such policies and procedures, however, may not prevent unexpected losses that could materially adversely affect the Bank's financial condition or results of operations.

#### LOAN LOSS ALLOWANCE MAY NOT COVER ACTUAL LOANS LOSSES

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. 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. Such 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.

#### IMPACT OF SOUTH KOREAN ECONOMIC CONDITIONS

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 (the "Korean Economy") with respect to certain of its loans and credit transactions. Such exposure has consisted of (i) extensions of credit to banks in South Korea in the form of letters of credit discount 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 of companies in South Korea ("Korean Affiliate Loans").

The current economic condition in South Korea is recovering from the economic crisis in late 1990's. Management closely monitors the Bank's exposure to the Korean Economy even though the Bank has not experienced any losses in connection with this type of lending for at least the past five years. The Bank also instituted new underwriting policies regarding Korean Affiliate Loans. Under the new policies the Bank will not make 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.

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 for at least 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 letters 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 Bank'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 customer base is largely Korean-American, the Bank's deposit base could significantly decrease as a result of a deterioration of the Korean Economy. Management believes 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 their relatives or parent 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 results of operations of the Bank.

#### SHARES AVAILABLE FOR FUTURE SALE

The future sale of a substantial number of shares of Common Stock by KEB, or the perception that such sales could occur, could have an adverse effect on the market price of the Common Stock.

#### 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 seven 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."

#### EARTHQUAKES AND OTHER NATURAL DISASTERS

Southern California, San Francisco and the Silicon Valley, where most of the Bank's properties, and most of the real and personal properties securing the Bank's loans are located, are prone to earthquakes, flooding and other natural disasters. In addition to possibly sustaining damage to its own properties, if there is a major earthquake, flood or other natural disaster, the Bank faces the risk that many of its borrowers may experience uninsured property losses, or sustained job interruption and/or loss which may materially impair their ability to meet the terms of their loan obligations. A major earthquake, flood or other natural disaster in California could have a material adverse effect on the Bank's business, financial condition, results of operations and cash flows. The Bank does not require its secured loan customers to obtain earthquake insurance on the real property securing such loans as such insurance is often unavailable or prohibitively expensive. A significant portion of the Bank's loan portfolio is secured by real property located in either Koreatown or in the garment district of downtown Los Angeles, and a substantial portion of the Bank's unsecured borrowers are located in the greater Los Angeles area. An earthquake or other natural disaster affecting the greater Los Angeles area could

adversely affect the businesses of such borrowers and the properties securing the Bank's loans and result in a material adverse effect on the Bank's financial condition and results of operations.

#### 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, 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. In addition, certain transactions involving the Bank such as acquisitions or other investments by the Bank as well as any transactions involving the Bank to which KEB is a party, such as the proposed acquisition of the New York branch office of KEB will be subject to notification and/or approval requirements pursuant to the South Korean banking laws and regulations, as administered by the South Korean bank regulatory authorities in the exercise of their jurisdiction over KEB. See Item 1. "Business - Regulation and Supervision."

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:

NAME OWNED/LEASED ----	LOCATION	USE OF FACILITIES
-----	-----	-----
<S>	<C>	<C>
<C>		
Corporate Headquarters Leased	3530 Wilshire Boulevard, #1800, Los Angeles, California	Main Office
Wilshire Office Leased	3245 Wilshire Boulevard, Los Angeles, California	Branch Office
Olympic Office Owned	3099 Olympic Boulevard, Los Angeles, California	Branch Office(1)
San Francisco Office Leased	1491 Webster Street, San Francisco, California	Branch Office
Western Office Leased	928 South Western Avenue, Los Angeles, California	Branch Office(2)
Garden Grove Office Owned	9122 Garden Grove Boulevard, Garden Grove, California	Branch Office
Vermont Office Owned	933 South Vermont Avenue, Los Angeles, California	Branch Office(3)
Downtown Office Leased	401 East 11th Street, Suite 207, Los Angeles, California	Branch Office
Van Nuys Office Leased	114427 Sherman Way, Van Nuys, California	Branch Office
Torrance Office Leased	21838 Hawthorne Boulevard, Torrance, California	Branch Office
Rowland Heights Office Leased	18399 East Colima Road, Rowland Heights, California	Branch Office
Cerritos Office Leased	11900 South Street, #109, Cerritos, California	Branch Office
Silicon Valley Office Leased	3402 El Camino Real, Santa Clara, California	Branch Office

- -----
- (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. After taking into consideration information furnished by counsel to the Bank as to the current status of these claims or proceedings to which the Bank is a party, Management is of the opinion

that the ultimate aggregate liability represented thereby if any, will not have a material adverse affect on the financial condition of the Bank.

The Bank also is currently subject to a Consent Order issued by the FDIC pursuant to Section 8(b)(1) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1818(b)(1) and which became effective on April 14, 2002. The FDIC issued the Consent Order as provided by the Consent Agreement that the Bank entered into with the FDIC. The Consent Order requires the Bank to take specific actions necessary to correct certain Bank Secrecy Act compliance deficiencies including inadequate training, internal controls and ineffective independent testing of such controls. Even before the Consent Order became effective, the Bank began taking proactive steps in 2001 to improve its BSA compliance. For example, in late 2001, the Bank implemented an enterprise-wide risk management infrastructure, which includes a comprehensive compliance program and training. This step was taken with the assistance of a leading financial services consulting firm, The Secura Group, whom the Bank retained in November 2001 to advise and assist the Bank in its compliance efforts. In addition, the Bank created a new senior executive position of Chief Risk Officer and hired the CRO in May 2002 to enhance overall Risk Management processes. Finally, to improve the overall efficiency and effectiveness of BSA monitoring, the Bank purchased a new automated BSA tracking/monitoring system which was installed in 2002 and is in the process of implementation. The Bank expects this system to be fully functional shortly, which will satisfy one of the most critical requirements of the Consent Order. The Board of Directors, Management, Officers, and employees of the Bank are fully committed to complying with all of the terms of the Consent Order. In this regard, the Bank has been working and will continue to work closely with the Bank's federal and state regulators.

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 owns approximately 62.4% 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, 2001.....	12.25	9.75	721,700
June 30, 2001.....	12.55	9.77	551,500
September 30, 2001.....	12.30	9.65	307,800
December 31, 2001.....	11.15	10.05	138,500
March 31, 2002.....	11.49	10.12	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

</TABLE>

HOLDERS

On March 10, 2003 there were approximately 643 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. Although the Bank is legally able to pay cash dividends, it has been the Bank's practice, since its initial public offering, to retain the Bank's earnings for the purpose of increasing its capital to support growth. Accordingly, the Bank has paid no cash dividends in the past two fiscal years. The Bank paid 12% and 10% stock dividends in 2002 and 2001, respectively.

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

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2002, 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:

<TABLE>  
<CAPTION>

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>	<C>	<C>	<C>
Equity compensation plans approved by security holders	312,239	\$11.15	223,764

</TABLE>

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below is derived from the Financial Statements of the Bank, which have been audited by PricewaterhouseCoopers LLP and KPMG LLP, independent accountants. 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, 2002 and 2001 and for each of the years in the three year period ended December 31, 2002 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>

	2002	AS OF AND FOR THE YEARS ENDED DECEMBER 31,		
		2001	2000	1999
1998	----	----	----	----
----				
		(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>	<C>
<C>				
SELECTED BALANCE SHEET DATA:				
Total assets .....	\$ 936,995	\$ 789,509	\$ 731,822	\$ 595,179
528,606				
Cash and due from banks .....	24,266	26,074	32,326	40,524
27,891				
Federal funds sold .....	62,500	42,000	61,600	--
60,000				
Federal Home Loan Bank stock .....	3,538	1,504	1,414	2,000
--				

Securities available-for-sale .....	64,701	139,662	150,097	143,626
115,273				
Securities held-to-maturity .....	89,314	--	6,007	11,761
17,830				
Total loans .....	683,131	572,354	467,807	385,745
298,011				
Allowance for loan losses .....	8,873	9,467	8,895	8,351
8,075				
Other real estate owned .....	--	--	375	--
83				
Total deposits .....	759,995	692,752	646,404	533,120
467,667				
Other borrowings .....	--	--	--	--
69				
Total stockholders' equity .....	100,876	89,960	76,299	56,442
56,317				
SELECTED STATEMENT OF OPERATIONS DATA:				
Interest income .....	46,378	55,276	53,169	39,751
37,582				
Interest expense .....	13,311	22,204	20,126	13,616
13,071				
Net interest income before provision for loan losses.....	33,067	33,073	33,043	26,135
24,511				
Provision for loan losses .....	1,100	1,300	1,300	200
3,840				
Net interest income after provision for loan losses.....	31,967	31,773	31,743	25,935
20,671				
Noninterest income .....	12,645	9,907	9,335	8,224
8,012				
Noninterest expense .....	25,557	23,396	22,083	20,282
20,763				
Income before income taxes .....	19,055	18,283	18,995	13,877
7,920				
Income tax expense .....	7,404	6,711	6,844	5,494
2,701				
Net income .....	11,651	11,572	12,151	8,383
5,219				
Comprehensive income(1) .....	10,768	13,603	14,783	5,125
5,401				
SHARE DATA:				
Net income per share - basic .....	\$ 1.10	\$ 1.09	\$ 1.32	\$ 1.02
0.68				
Net income per share - diluted .....	\$ 1.09	\$ 1.08	\$ 1.32	\$ 1.02
0.68				
Book value per share .....	9.50	8.48	7.20	6.87
6.86				
Cash dividends .....	--	--	8,000	5,000
--				
Weighted average common shares outstanding.....	10,616,017	10,600,306	9,180,807	8,213,334
7,709,845				
Year end shares outstanding .....	10,621,554	10,606,417	10,597,254	8,213,334
8,213,334				
KEY OPERATING RATIOS:				
PERFORMANCE RATIOS:				
Return on average equity(2) .....	12.40%	13.99%	19.69%	15.05%
9.67%				
Return on average assets(3) .....	1.34	1.41	1.84	1.50
1.04				
Interest rate spread(4) .....	3.17	2.90	3.75	3.71
3.89				
Net interest margin(5) .....	4.01	4.28	5.43	5.11
5.37				
Efficiency ratio(6) .....	55.91	54.44	52.11	59.03
63.84				
Net loans(7) to total deposits at year end ...	88.72	81.25	70.99	70.79
62.00				
Dividend payout ratio(8) .....	--	--	65.84	59.64
--				
Average stockholders' equity to average total assets .....	10.84	10.08	9.33	9.98
10.73				
ASSET QUALITY RATIOS:				
Nonperforming loans to total loans(9) .....	0.30	0.88	0.13	1.03
3.15				
Nonperforming assets to total loans and other real estate owned(10) .....	0.30	0.88	0.21	1.03
3.17				
Net charge-offs to average total loans .....	0.28	0.14	0.17	(0.02)
1.27				
Allowance for loan losses to total loans at year end .....	1.30	1.65	1.90	2.16
2.71				

86.13	Allowance for loan losses to nonperforming loans .....	437.96	187.09	1434.68	211.09
10.82	CAPITAL RATIOS: Tier 1 capital to adjusted total assets .....	11.56	10.77	10.56	10.33
17.17	Tier 1 capital to total risk-weighted assets .....	14.70	14.82	15.01	14.20
18.44	Total capital to total risk-weighted assets .....	15.95	16.07	16.26	15.46

</TABLE>

- 
- (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 excluding 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, 2002 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, 2002 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.

The Bank estimates its quarterly effective income tax rate based upon a variety of factors including, but not limited to, the expected revenues and resulting pretax income for the year, the composition and geographic mix of the pretax income, the ratio of permanent differences of, and the realizability of deferred tax assets. Any changes to the estimated rate are made prospectively in accordance with the Accounting Principles Board of Opinion No.28, "Interim Financial Reporting." Additionally, management makes estimates as to the amount of the reserves, if any, that are necessary for known and potential tax exposures.

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 BPO's 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 77.3% 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 \$937.0 million at December 31, 2002 from \$789.5 million, and \$731.8 million at December 31, 2001 and 2000, respectively, for increases of 18.7% and 7.9% in 2002 and 2001, respectively. Total loans increased to \$683.1 million at December 31, 2002 from \$572.4 million, and \$467.8 at December 31, 2001 and 2000, respectively, for increases of 19.4% and 22.3% in 2001 and 2000, respectively. Total deposits increased to \$760.0 million at December 31, 2002 from \$692.8 million, and \$646.4 million at December 31, 2001 and 2000, respectively, for increases of 9.7% and 7.2% at December 31, 2001 and 2000, respectively. For the year ended December 31, 2002, the Bank realized net income of \$11.7 million or \$1.10 per basic and \$1.09 per diluted share compared to net income of \$11.6 million or \$1.09 per basic and \$1.08 per diluted share for 2001 and \$12.2 million or \$1.32 per basic and diluted share for 2000. The Bank's return on average equity was 12.40%, 13.99% and 19.69% for the years ended December 31, 2002, 2001 and 2000, respectively. The Bank's return on average assets for the same years was 1.34%, 1.41% and 1.84%, respectively.

#### NET INTEREST INCOME

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 \$33.1 million, \$33.1 million and \$33.0 million for the years ended December 31, 2002, 2001 and 2000, respectively. The weighted average targeted Federal funds rate decrease in 2002 was the primary reason that net interest income remained relatively unchanged for the year ended December 31, 2002 although total average net loans increased \$71.3 million or 13.6%. The Bank's average interest-earning assets were \$823.8 million, \$773.3 million and \$608.5 million in 2002, 2001 and 2000, respectively, representing increases of 6.5% and 27.1% in 2002 and 2001, respectively. The yield on interest-earning assets was 5.6%, 7.1% and 8.6% for 2002, 2001 and 2000, respectively, and the proportion of average net loans to average total interest-earning assets was 72.2% in 2002 compared to 67.7% in 2001 and 71.6% in 2000. 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 2003. The ratio of average investment securities to average total interest-earning assets was 18.8% in 2002, compared to 21.2% and 24.8% in 2001 and 2000, respectively. The decrease in the ratio of average investment securities to average total interest-earning assets in 2002 was primarily due to sales of available-for-sale investment securities.

The proportion of low yielding Fed funds sold to total average interest-earning assets decreased to 8.6% for 2002, compared to 10.8% for 2001, but increased in 2001 from 3.1% in 2000. The weighted average yield on Fed funds sold was 1.6%, 4.0% and 6.4% in 2002, 2001 and 2000, respectively. The yield on Fed funds sold decreased by 240 basis points to 1.6% during 2002 due to a decrease in the target weighted average Fed funds rate. The weighted average target Fed funds rate was 1.67%, 3.68% and 6.26% during 2002, 2001 and 2000, respectively.

Interest income on loans decreased by \$5.2 million or 12.2% in 2002 compared to 2001. Average net loans increased \$71.3 million to \$594.6 million in 2002 compared with \$523.3 million in 2001. However, the interest income on loans decreased due to the decrease in loan yield of 181 basis points to 6.15% in 2002, compared with 7.96% in 2001. Interest income on loans decreased by \$230,000 or 0.54% in 2001 compared to 2000. The decrease of \$230,000 is net of a decrease in interest income of \$8.0 million resulting from the rate decrease of 163 basis points and an increase in interest income of \$7.7 million resulting from the average volume increase of \$87.6 million.

Total interest expense decreased by \$8.9 million or 40.1% to \$13.3 million in 2002, compared with \$22.2 million in 2001. The decrease of \$8.9 million in total interest expense in 2002 compared with 2001 resulted from a \$9.1 million decrease due to the rate change and offset by a \$255,000 increase due to the volume change of average interest-bearing liabilities. An interest expense increase of \$2.1 million or 10.3% in 2001, compared with \$20.1 million in 2000 resulted from a \$5.9 million increase due to the volume change and was offset by a \$3.8 million decrease due to the rate change of

average interest-bearing liabilities. The majority of this increase was attributable to the \$3.2 million increase in certificates of deposit of \$100,000 or more. The average balance on time certificates of deposit of \$100,000 or more decreased by \$24.1 million or 8.8% to \$249.2 million in 2002 which represents 44.8% of total deposits compared to \$273.3 million in 2001.

Total average interest-bearing liabilities were \$555.8 million in 2002 compared to \$533.0 million in 2001, representing an increase of 4.3%. The average rate paid on interest-bearing liabilities were 2.4% and 4.2% in 2002 and 2001, respectively. The decrease of 180 bps in average rate paid on interest-bearing liabilities in 2002 was primarily the result of the lower interest rate environment and the decrease in the average balance of Jumbo CDs. The interest expense on Jumbo CD's was \$6.4 million in 2002 compared to \$13.8 million in 2001 as a result of \$24.1 million decrease in the average balance and 249 basis points decrease in the average interest rate.

#### NET INTEREST MARGIN

The net interest margin for the years ended December 31, 2002, 2001 and 2000 was 4.01%, 4.28% and 5.43%, respectively. The decrease in the net interest margin in 2002 is due to the fact that 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 average yield on

interest earning assets decreased by 150 basis points due to the decreases in the targeted Federal funds rate during 2002. This decrease was partially offset by a decrease in the average rate paid on interest-bearing liabilities of 177 basis points mainly due to a decrease in the average deposit rate. The decrease in the average yield on interest earning assets was primarily due to the decrease in loan yields resulting from a decrease in the prime rate. The Bank's loans are generally tied to an index of prime rate, plus a spread.

The net interest margin was also affected by the relative change in the mix of the Bank's interest-earning assets during 2002. The Bank's average net loans (its highest yielding assets) increased as a percentage of earning assets to 72.2% in 2002, compared 67.7% and 71.6% in 2001 and 2000, respectively. At the same time, average Fed funds (its lowest yielding earning assets) decreased to 8.6% of earning assets in 2002, compared to 10.8% in 2001, but increased compared to 3.1% of earning assets in 2000. The average U. S. government agency securities a relatively low-yielding asset decreased to 18.6% of earning assets in 2002, compared 20.4% and 22.9% of earning assets in 2001 and 2000, 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,							
		2002				2001			
		-----				-----			
INTEREST		INTEREST				INTEREST			
INCOME/	AVERAGE	AVERAGE	INCOME/	AVERAGE	AVERAGE	INCOME/	AVERAGE	AVERAGE	
EXPENSE	RATE/YIELD	BALANCE	EXPENSE	RATE/YIELD	BALANCE	EXPENSE	RATE/YIELD	BALANCE	
-----		-----		-----		-----		-----	
		(DOLLARS IN THOUSANDS)							
<S>		<C>		<C>		<C>		<C>	
<C>		<C>		<C>		<C>		<C>	
<b>ASSETS:</b>									
Interest-earning assets:									
Loans, net(1)	.....	\$594,641	\$ 37,107	6.15%	\$523,337	\$ 42,258	7.96%	\$435,778	\$
42,487	9.59%								
Federal Home Loan Bank stock	.....	2,362	116	4.91	1,463	75	5.13	1,776	
149	8.39								
Taxable investment securities:									
U. S. Treasury securities	.....	1,247	74	5.93	5,486	304	5.54	11,412	
624	5.47								
U. S. Government agencies	.....	153,233	7,912	5.16	157,946	9,199	5.82	139,482	
8,625	6.18								
Tax-exempt investment securities:(2)									
State and political subdivisions	.....	167	6	3.84	201	8	3.83	197	
8	3.90								
Federal funds sold	.....	70,753	1,144	1.59	83,454	3,382	4.00	18,931	
1,217	6.43								
Interest-earning deposits	.....	1,409	19	1.35	1,371	50	3.65	954	
59	6.18								
-----		-----		-----		-----		-----	
Total interest-earning assets	.....	823,812	46,378	5.57	773,258	55,276	7.07	608,530	
53,169	8.62								
-----		-----		-----		-----		-----	
Noninterest-earning assets:									
Cash and due from banks	.....	25,402			27,391			31,659	
Bank premises and equipment, net	.....	7,777			9,658			9,518	
Other real estate owned, net	.....	--			35			122	
Customers' acceptance liabilities	.....	1,041			742			604	
Accrued interest receivable	.....	3,403			3,956			3,972	
Other assets	.....	5,333			5,278			6,887	
-----		-----		-----		-----		-----	
Total noninterest-earning assets	.....	42,956			47,060			52,762	
-----		-----		-----		-----		-----	
Total assets	.....	\$866,768			\$820,318			\$661,292	
=====		=====		=====		=====		=====	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>									
Interest-bearing liabilities:									

Deposits:								
Money market .....	\$118,875	2,227	1.87	\$102,151	2,744	2.69	\$ 83,797	
2,903      3.46								
Super NOW .....	7,517	39	0.52	6,141	59	0.96	5,682	
89      1.57								
Savings .....	42,505	289	0.68	42,833	564	1.32	41,515	
1,038      2.50								
Time certificates of deposit								
of \$100,000 or more .....	249,205	6,413	2.57	273,266	13,820	5.06	178,514	
10,591      5.93								
Other time .....	104,355	3,180	3.05	108,587	5,015	4.62	94,769	
4,948      5.22								
Other borrowings .....	33,295	1,163	3.45	38	1	2.60	8,762	
557      6.25								
-----								
Total interest-bearing .....	555,752	13,311	2.40	533,016	22,203	4.17	413,039	
20,126      4.87								
-----								
Noninterest-bearing liabilities:								
Demand deposits .....	210,778			192,589			177,727	
Other liabilities .....	6,316			12,010			8,819	
-----								
Total noninterest-bearing .....	217,094			204,599			186,546	
Stockholders' equity .....	93,922			82,703			61,707	
-----								
Total liabilities and								
Stockholders' equity .....	\$866,768			\$820,318			\$661,292	
	=====			=====			=====	
Net interest income .....		\$ 33,067			\$ 33,073			\$
33,043								
=====								
Net interest spread(3) .....			3.17%			2.90%		
3.75%								
=====								
Net interest margin(4) .....			4.01%			4.28%		
5.43%								
=====								
Ratio of average interest-bearing								
Assets to average interest-bearing ...			148.23%			145.07%		
147.33%								
=====								

</TABLE>

- (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 \$615,000, \$504,000 and \$405,000 for the years ended December 31, 2002, 2001 and 2000, 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, 2002 VS. 2001	YEAR ENDED DECEMBER 31, 2001 VS. 2000
	-----	-----
	INCREASES (DECREASES)	INCREASES (DECREASES)
	DUE TO CHANGE IN	DUE TO CHANGE IN
	-----	-----

	VOLUME	RATE	TOTAL	VOLUME	RATE	TOTAL
	-----	----	-----	-----	----	-----
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<b>EARNING ASSETS:</b>						
INTEREST INCOME:	\$5,267	(\$10,418)	(\$5,151)	\$ 7,746	(\$7,975)	(\$ 229)
Loans, net (1).....						
Federal Home Loan Bank stock...	44	(3)	41	(23)	(51)	(74)
Taxable investment securities:						
U. S. Treasury securities....	(250)	20	(230)	(328)	8	(320)
U. S. Government agencies....	(268)	(1,020)	(1,288)	1,096	(522)	574
Tax-exempt securities:(2)						
State and political						
subdivisions.....	(1)	-	(1)	-	-	-
Federal funds sold.....	(452)	(1,786)	(2,238)	2,765	(600)	2,165
Interest-earning deposits.....						
	1	(32)	(31)	20	(29)	(9)
Total net change	-----	-----	-----	-----	-----	-----
in interest income.....	\$4,341	(\$13,239)	(\$8,898)	\$11,276	(\$9,169)	\$2,107
	-----	-----	-----	-----	-----	-----
<b>DEPOSITS AND BORROWED FUNDS:</b>						
<b>INTEREST EXPENSE:</b>						
Money market deposits.....	402	(919)	(517)	565	(724)	(159)
Super NOW.....	11	(31)	(20)	7	(36)	(29)
Savings deposits.....	(4)	(271)	(275)	32	(506)	(474)
Time certificates of deposit in						
denominations of \$100,000						
or more.....	(1,126)	(6,281)	(7,407)	4,972	(1,743)	3,229
Other time deposits.....	(189)	(1,646)	(1,835)	675	(608)	67
Other borrowings.....	1,161	1	1,162	(354)	(203)	(557)
	-----	-----	-----	-----	-----	-----
Total net change						
in interest expense....	255	(9,147)	(8,892)	5,898	(3,821)	2,077
	-----	-----	-----	-----	-----	-----
Change in net interest income.....	\$4,086	(\$ 4,092)	(\$ 6)	\$ 5,378	(\$5,348)	\$ 30
	=====	=====	=====	=====	=====	=====

</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.

**PROVISION 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. 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 \$1.1 million, \$1.3 million and \$1.3 million for the years ended December 31, 2002, 2001 and 2000, respectively. The Bank had net charge-offs of \$1.7 million (including \$111,000 in recoveries) in 2002, \$727,000 (including \$581,000 in recoveries) in 2001, \$756,000 in 2000 (including \$432,000 in recoveries).

The allowance for loan losses decreased to \$8.9 million at December 31, 2002, from \$9.5 million at December 31, 2001. The allowance for loan losses was \$8.9 million at December 31, 2000. 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 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 other reserve was \$100,000, \$679,000 and \$1.1 million for the years ended December 31, 2002, 2001, and 2000. The allowance for loan losses at December 31, 2002, as a percentage of total loans was 1.3%, compared to 1.7% and 1.9% at December 31, 2001 and 2000, respectively.

The Bank formally assesses the allowance for loan losses on a quarterly basis. The allowance for loan losses begins with Management reviewing each individual classified, criticized loan in detail, evaluating, among other things, the adequacy of collateral, payment record, current loan status and borrower financial capacity. A loan loss allowance is assigned to each

classified and criticized loan. Loans categorized as Substandard, Doubtful and Loss as well as Special Mention from this quarterly review are based upon the specifics of the loans circumstances, including updated collateral value, borrowers or guarantors financial capacity, payment record and recent conversations with the borrower. 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 drive 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 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.

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 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, 2002 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 procedures for monitoring the adequacy of the allowance as well as detail information concerning the allowance itself are included below under "Allowance for Loan Losses."

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>

NONINTEREST INCOME			
FOR THE YEARS ENDED DECEMBER 31,			
	2002	2001	2000
(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>
Service charges on deposit accounts .....	\$ 6,484	\$ 6,573	\$ 5,652
Remittance fees .....	912	918	996
Letter of credit related fees .....	807	768	909
Net other real estate owned income .....	-	114	357
Gain on sale of loans .....	705	-	-
Gain on sale of securities .....	825	-	-
Gain on sale of premise .....	1,194	-	-
Other operating income .....	1,718	1,534	1,421
Total .....	\$ 12,645	\$ 9,907	\$ 9,335
As a percentage of average earning assets...	1.53%	1.28%	1.17%

</TABLE>

The Bank earns the majority of its noninterest income from service charges on deposit accounts, which amounted to \$6.5 million, \$6.5 million and \$5.7 million in 2002, 2001 and 2000, respectively, or 51.3%, 66.3%, and 60.5% of total noninterest income in 2002, 2001 and 2000, respectively. The slight decrease in service charges on deposit accounts in 2002 mainly resulted from a decrease in fees collected due to the non-sufficient funds. The increase in 2001 in service charges was a result of fee increases implemented on various bank services in December 2000. Other operating income amounted to \$1.7 million, \$1.5 million and \$1.4 million in 2002, 2001, and 2000, respectively. The increase in gain on sale of premises and equipment of \$1.2 million was due to a sale of San Francisco branch premise. The Bank realized a \$825,000 in gain on sale of investment securities and a \$705,000 in gain on sale of loans including a \$586,000 gain realized from the SBA loans in 2002. The Bank is planning to continue to originate and sell SBA loans in 2003. Remittance fees amounted to \$912,000, \$918,000 and \$996,000 or 7.2%, 9.3% and 10.7% of total non-interest income in 2002, 2001, and 2000, respectively. Fees from letters of credit totaled \$807,000, \$768,000 and \$909,000 or 6.4%, 7.8% and 9.7% of total non-interest income in 2002, 2001 and 2000, respectively.

Other operating income was composed of various fee income from routine banking operations, such as credit card processing 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>

NON-INTEREST EXPENSE			
FOR THE YEARS ENDED DECEMBER 31,			
	2002	2001	2000
(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>
Salaries and employee benefits .....	\$ 12,348	\$ 11,946	\$ 11,573
Security guards .....	938	868	783
Net occupancy expense .....	2,873	2,903	2,894
Equipment expense .....	1,384	1,247	1,078
Data processing expense .....	1,942	1,713	1,267
Office supplies .....	483	553	561
Legal and professional expense .....	1,206	757	480
Advertising and public relations .....	845	568	578
Communication related expense .....	1,035	948	926
Other operating expense .....	2,503	1,894	1,943
	-----	-----	-----
Total .....	\$ 25,557	\$ 23,397	\$ 22,083
	=====	=====	=====

</TABLE>

Total noninterest expense was \$25.6 million, \$23.4 million and \$22.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. The increase in 2002 was mainly attributable to an increase in other operating expenses of \$696,000, legal and professional expenses of \$449,000 and salaries and employee benefits of \$402,000. The increase in 2001 was primarily due to an increase in salaries and employee benefits of \$373,000, an increase in data processing expenses of \$446,000, and an increase in legal and professional expenses of \$277,000.

Salaries and employee benefit costs totaled \$12.3 million, \$11.9 million and \$11.6 million or 48.3%, 51.1% and 52.4% of total noninterest expenses in 2002, 2001 and 2000, respectively. The number of full-time equivalent employees was 261, 252 and 248 as of December 31, 2002, 2001, and 2000, respectively. The salaries and employee benefit costs increased by \$267,000 or 2.9% in 2002 compared with 2001, and \$786,000 or 9.1% in 2001 compared with 2000.

Occupancy expense totaled \$2.9 million, \$2.9 million and \$2.9 million or 11.2%, 12.4% and 13.1% of total noninterest expenses in 2002, 2001 and 2000, respectively. In the middle of 2002, the Bank sold its San Francisco premise and relocated its San Francisco office and in 2000, the Bank relocated the Gardena office to the city of Torrance and reduced the size of both the Rowland Heights and Van Nuys branches in furtherance of its right-sizing strategy.

Data processing expenses totaled \$1.9 million, \$1.7 million and \$1.3 million or 7.6%, 7.3% and 5.7% of noninterest expenses in 2002, 2001 and 2000, respectively.

Legal and professional expenses totaled \$1.2 million, \$757,000 and \$480,000 or 4.7%, 3.2% and 2.2% of the noninterest expenses in 2002, 2001 and 2000 respectively. 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. The increase of \$277,000 or 57.7% in 2001 compared with 2000 was primarily attributable to an increase in legal expenses for retaining outside consultants for reviewing the Bank's operations and in connection with loan collection activities.

Other operating expense was comprised of FDIC and state assessment on deposits expenses, SBA referral fees, sundry losses and other various expenses. Other operating expenses totaled \$2.5 million, \$1.9 million and \$1.9 million or 9.8%, 8.1% and 8.8% of total noninterest expenses in 2002, 2001, and 2000, 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. A slight decrease of \$49,000 or 2.5% in 2001 was mainly attributable to the net of increases in other loan related expenses, employee related expenses and other expenses of \$118,000, \$86,000, and \$41,000, respectively and decrease in sundry loss of \$303,000.

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 55.9%, 54.4% and 52.1% in 2002, 2001 and 2000, respectively. The efficiency ratio went slightly up in 2002 due to increased noninterest expense compared with 2001. Increased noninterest expense was primarily attributable 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.

#### PROVISION FOR INCOME TAXES

The Bank had income taxes of \$7.4 million, \$6.7 million and \$6.8 million in 2002, 2001 and 2000, respectively, resulting in effective tax rates of 38.9%, 36.7% and 36.0% for 2002, 2001 and 2000, 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 \$2.0 million, \$611,000 and \$295,500 for California franchise taxes in 2002, 2001 and 2000, respectively. The significant increase in California franchise taxes in 2002 and 2001 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 \$4.7 million, \$3.3 million and \$3.9 million as of December 31, 2002, 2001 and 2000, 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 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



sensitivity gap ratio as a percentage of total assets ....	23.22%	9.23%	21.04%	31.60%
--	--------	-------	--------	--------

- (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, 2002 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
200	11.56%	8.77%
100	5.38	4.32
0		
-100	-8.62	-3.49
-125	-10.73%	-4.37%

</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, 2002, 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 \$49.0 million of borrowing capacity under a collateralized line of credit with the FHLB of San Francisco. As of December 31, 2002, the Bank's available liquidity totaled \$186.4 million, which was approximately 24.5% of total deposits and 71.9% 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 ratios of the average balance of Jumbo CD's to average total deposits for the years ended December 31, 2002, 2001 and 2000 were 47.7%, 51.3% and 43.2%, respectively.

The following is a schedule by years of future net minimum rental commitments, primarily representing noncancelable operating leases and a noncancelable sublease and borrowings from Federal Home Loan Bank as of December 31, 2002.

<TABLE>  
<CAPTION>

	NET MINIMUM RENTALS	OTHER BORROWINGS
	-----	-----
<S>	<C>	<C>
Year ending December 31:		
2003	\$ 1,426,777	\$ 10,000,000
2004	1,407,250	25,000,000
2005	1,415,920	25,000,000
2006	1,207,483	10,000,000
2007	1,186,515	--
Later years	1,066,956	--
	-----	-----
	\$ 7,710,901	\$ 70,000,000
	=====	=====

</TABLE>

As part of its service to its small to medium sized business customers, the Bank issues formal commitments 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 following table shows the commercial commitments of the Bank as of December 31, 2002.

<TABLE>  
<CAPTION>

	COMMITMENTS EXPIRING WITHIN AT DECEMBER 31, 2002 (IN THOUSANDS)			
	WITHIN ONE YEAR	AFTER ONE BUT WITHIN FIVE YEARS	AFTER FIVE YEARS	TOTAL
	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Commercial commitments:				
Loans .....	\$ 80,888	\$ 11,540	\$ 27	\$ 92,455
Standby letters of credit .....	19,556	19	-	19,575
Commercial Letters of credit .....	5,404	-	-	5,404
	-----	-----	-----	-----
Total commercial commitments	\$ 105,848	\$ 11,559	\$ 27	\$ 117,434
	=====	=====	=====	=====

</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, 2002 and 2001:

<TABLE>  
<CAPTION>

	2002		2001	
	OUTSTANDING AMOUNT	GUARANTEED AMOUNT	OUTSTANDING AMOUNT	GUARANTEED AMOUNT
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Commitments to extend credit:				
Commercial loans	\$ 92,454,510	\$ --	\$ 33,810,704	\$ --
Home equity line of credit	4,325,374	--	4,409,023	--
Credit card loans and others	6,623,348	--	6,851,421	--
Standby letters of credit	19,575,312	19,575,312	12,096,276	12,096,276
Commercial letters of credit	5,404,357	--	5,547,866	--

</TABLE>

CAPITAL RESOURCES. Stockholders' equity at December 31, 2002 was \$100.9 million, compared to \$90.0 million and \$76.3 million at December 31, 2001 and 2000, respectively. The increase of \$10.9 million or 12.1% in 2002 compared with the same period of last year mainly resulted from retained earnings and was partially offset by the unrealized loss on securities classified as available-for-sale. The increase of \$13.7 million or 17.9% in 2001 compared to December 31, 2000 resulted from retained earnings and unrealized gain 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, 2002 were 14.70% and 15.95%, respectively, compared with 14.82% and 16.07%, respectively, at December 31, 2001 and 15.01% and 16.26%, respectively at December 31, 2000. The Bank's leverage ratio was 11.56%, 10.77% and 10.56% at December 31, 2002, 2001 and 2000, 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 " 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 \$866.8 million, \$820.3 million and \$661.3 million in 2002, 2001, and 2000, respectively. The increase of \$46.5 million or 5.7% in 2002 compared to 2001 was primarily due to the increase in average loan portfolio of \$71.3 million offset by the decreases in Federal funds sold and available for sale securities by \$12.7 million and \$5.1 million,

respectively. The increase of \$159.0 million or 24.0% in 2001 was primarily due to the increases in average loan portfolio, Federal funds sold and available for sale securities by \$87.6 million, \$64.5 million and \$18.1 million, respectively.

Total nonperforming assets at December 31, 2002 were \$2.0 million, compared to \$5.1 million and \$995,000 at December 31, 2001 and 2000, respectively. Total nonperforming assets were 0.22% of total assets at December 31, 2002 compared to 0.64% and 0.14% of total assets at December 31, 2001 and 2000, respectively. See " Nonperforming Assets."

During this same three year period, the Bank's average deposits showed a continual growth pattern. Average total deposits were \$733.2 million, \$725.6 million and \$582.0 million in 2002, 2001 and 2000, respectively, representing an increase of \$7.7 million or 1.06% in 2002 and \$143.6 million or 24.7% in 2001.

At December 31, 2002 total assets were \$937.0 million, compared to \$789.5 million at December 31, 2001. Gross loans were \$683.1 million at December 31, 2002 compared to \$572.4 million at December 31, 2001. Total deposits were \$760.0 million at December 31, 2002 compared to \$692.8 million at December 31, 2001.

#### LOAN PORTFOLIO

Total loans outstanding as of December 31, 2002 were \$683.1 million, compared to \$572.4 million and \$467.8 million at December 31, 2001 and 2000, respectively. Total loans comprised 72.9% of total assets at December 31, 2002, compared with 72.5% and 63.9% of total assets at December 31, 2001 and 2000, respectively. Total gross loans increased by \$110.8 million or 19.4% in 2002. The net increase in total loans is attributable to a \$84.5 million increase in commercial real estate secured loans, a \$6.7 million increase in installment loans, a \$14.8 million increase in commercial and industrial loans, a \$21.2 million increase in other loans, which consists predominantly of SBA loans, and offset by a \$19.1 million decrease in residential real estate loans.

The following table set forth the composition of the Bank's loan portfolio as of the dates indicated:

<TABLE>  
<CAPTION>

	LOAN PORTFOLIO COMPOSITION					
	AT DECEMBER 31,					
	2002		2001		2000	
AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	
(DOLLARS IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	
Commercial and industrial(1) .....	\$ 125,363	18.35%	\$ 110,514	19.31%	\$ 90,827	19.42%
Term Federal funds sold .....	-	-	-	-	-	-
Installment loans, net .....	21,225	3.11	14,521	2.54	17,398	3.72
Real estate loans:						
Commercial .....	395,807	57.94	311,326	54.39	250,477	53.54
Home mortgage .....	37,459	5.48	56,558	9.88	56,623	12.10
Home equity .....	5,993	0.88	4,697	0.82	4,724	1.01
Other(2) .....	78,179	11.44	57,349	10.02	37,124	7.94
Trade Finance .....	12,488	1.83	7,990	1.40	9,061	1.94
Bills Bought(3) .....	6,617	0.97	9,399	1.64	1,573	0.33
Total loans(4) .....	\$ 683,131	100.00%	\$ 572,354	100.00%	\$ 467,807	100.00%

<CAPTION>

	LOAN PORTFOLIO COMPOSITION			
	AT DECEMBER 31,			
	1999		1998	
AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	
(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	
Commercial and industrial(1) .....	\$ 86,483	22.42%	\$ 68,491	22.98%
Term Federal funds sold .....	-	-	20,000	6.71
Installment loans, net .....	8,984	2.33	13,357	4.48
Real estate loans:				
Commercial .....	178,740	46.34	129,824	43.57
Home mortgage .....	51,579	13.37	33,855	11.36
Home equity .....	4,122	1.07	4,658	1.56



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 requiring a maximum loan-to-value ratio ("LTV") of 65% or 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.

As of December 31, 2002, commercial real estate loans totaled \$395.8 million, compared with \$311.3 million at December 2001 and \$250.5 million at December 31, 2000. Total commercial real estate loans comprised 57.9% of total gross loans, compared with 54.4% at December 31, 2001 and 53.5% at December 31, 2000. The increase of \$84.5 million or 27.1% during 2002, \$60.8 million or 24.3% during 2001 and of \$71.7 million or 40.1% during 2000 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, 2002, the Bank had a total of \$125.4 million in commercial business loans representing 18.4% of total gross loans, including \$80.1 million in term loans and \$42.3 million in commercial lines of credit. This represents an increase of \$14.8 million or 13.4% in 2002 compared to 2001 and \$19.7 million or 21.7% in 2001 compared to 2000. 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 introduced a new unsecured, small business commercial loan product in 1999 that streamlines the application process with a single simplified application. The applicant is approved based on established approval criteria, such as length of business experience, banking relationship and status of applicant's personal credit history. The maximum loan amount allowed for this product is \$70,000 per borrower.

**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, 2002, such trade financing totaled \$12.5 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 procedure 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, 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. As a portfolio lender, the Bank retains the loans and the servicing rights on these loans. Substantially all residential real estate loans involve properties located in the Bank's primary lending area. As of December 31, 2002, residential real estate loans totaled \$37.5 million and represented 5.5% of total gross loans.

The Bank extends 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 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.

Apart from portfolio residential real estate lending, the Bank established loan brokering agreements with several major mortgage lenders in the first quarter of 2002. The new program provides 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. In connection with these 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 is 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.

**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, 2002, total outstanding balances for home equity lines of credit totaled \$5.6 million, representing 0.8% of total loans. As of December 31, 2002, home equity loans totaled \$465,000 and represented 0.1% of total loans. The Bank also originates cash secured loans and automobile loans, which totaled \$5.2 million and \$15.8 million, respectively; credit cards which totaled \$2.7 million; and others loans (personal and reserve loans) which totaled \$270,000, at December 31, 2002.

**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 \$15.8 million. The Bank also originates cash secured loans, which totaled \$5.2 million at December 31, 2002.

**OTHER.** Other loans at December 31, 2002 totaled \$78.2 million or 11.4% of total gross loans. Of this amount, \$74.6 million or 95.4% were SBA loans and the remainder were loans and loan participations in approximately ten programs organized under the Community Reinvestment Act, credit cards and a very small balance of reserve accounts (for overdraft protection). The SBA currently guarantees from 75% to 80% of the principal and accrued interest 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, 2002 were \$74.6 million, compared to \$53.4 million and \$33.2 million at December 31, 2001 and 2000, respectively. The increase of \$21.2 million or 39.7%

during 2002 was primarily due to purchases of SBA guaranteed loans for \$15.5 million. During 2002, \$9.1 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.

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,		
	2002	2001	2000
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Bills Bought .....	\$ 6,617	\$ 9,399	\$ 1,573
Korean L/C Loans(1) .....	17,350	8,700	11,607
Korean Affiliate Loans(2) ....	10,179	9,775	4,430
Total	\$ 34,146	\$ 27,874	\$ 17,610

</TABLE>

(1) In addition, the Bank had unfunded commitments for Korean L/C Loans in the amounts of \$2.7 million, \$3.2 million and \$3.1 million as of December 31, 2002, 2001 and 2000, respectively.

(2) In addition, the Bank had unfunded commitments for Korean Affiliate Loans in the amounts of \$10.2 million, \$5.4 million and \$8.5 million as of December 31, 2002, 2001 and 2000, 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, 2002, the Bank had total outstanding Bills Bought of \$6.6 million compared to \$9.4 million and \$1.6 million outstanding at December 31, 2001 and 2000, 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, 2002, the Bank had \$17.4 million in Korean L/C Loans, compared to \$8.7 million and \$11.6 million at December 31, 2001 and 2000, respectively. The Bank also had unfunded commitments for Korean L/C Loans of \$2.7 million as of December 31, 2002. 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 \$10.2 million as of December 31, 2002, compared to \$9.8 million and \$4.4 million at December 31, 2001 and 2000, respectively. The Bank also had unfunded commitments for Korean Affiliate Loans of \$10.2 million as of December 31, 2002, compared to \$5.4 million and \$8.5 million at December 31, 2001 and 2000. The aggregate loans outstanding and commitments at December 31, 2002, 2001 and 2000 were \$20.3 million, \$15.2 million and \$12.9 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, 2002, no Korean Affiliate Loans were considered nonperforming by

Management. See "-- Nonperforming Assets." All of the Korean Affiliate Loans outstanding at December 31, 2002 represented loans or lines of credit which have been renewed under the current underwriting policies.

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 \$6.2 million, \$5.1 million and \$4.4 million as of December 31, 2002, 2001 and 2000, 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 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, -----				
	2002	2001	2000	1999	1998
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
NONACCRUAL LOANS:(1)					
Commercial and industrial(2) .....	\$ 1,091	\$ 1,043	\$ 149	\$ 1,625	\$ 2,782
Installment loans, net .....	28	4	8	35	40
Real estate loans:					
Commercial .....	-	3,374	-	1,464	5,694
Home mortgage .....	805	197	-	232	285
Home equity .....	-	130	68	95	20
Other(3) .....	74	273	335	25	17
Trade Finance .....	-	-	-	-	-
Bills Bought(4) .....	-	-	-	-	-
	-----	-----	-----	-----	-----
Total .....	1,998	5,021	560	3,476	8,838
LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING (AS TO PRINCIPAL OR INTEREST):					
Commercial and Industrial(2) .....	\$ -	\$ -	\$ -	\$ -	\$ -
Installment loans, net .....	-	-	-	-	-
Real estate loans:					
Commercial .....	-	-	-	-	-
Home mortgage .....	-	-	-	-	-
Home equity .....	-	-	-	-	-
Other(3) .....	28	39	42	23	49
Trade Finance .....	-	-	-	-	-
Bills Bought(4) .....	-	-	-	-	-
	-----	-----	-----	-----	-----
Total .....	28	39	42	23	49
RESTRUCTURED LOANS:(5)					
Commercial and industrial(2) .....	\$ -	\$ -	\$ -	\$ -	\$ 21
Installment loans, net .....	-	-	-	-	-
Real estate loans:					
Commercial .....	-	-	-	457	467
Home mortgage .....	-	-	-	-	-
Home equity .....	-	-	-	-	-
Other(3) .....	-	-	18	-	-
Trade Finance .....	-	-	-	-	-
Bills Bought(4) .....	-	-	-	-	-
	-----	-----	-----	-----	-----
Total .....	-	-	18	457	488
	-----	-----	-----	-----	-----
Total nonperforming loans .....	2,026	5,060	620	3,956	9,375
Other real estate owned .....	-	-	375	-	83
	-----	-----	-----	-----	-----

Total nonperforming assets .....	\$ 2,026	\$ 5,060	\$ 995	\$ 3,956	\$ 9,458
	=====	=====	=====	=====	=====
Nonperforming loans as a percentage					
of total gross loans .....	0.30%	0.88%	0.13%	1.03%	3.15%
Nonperforming assets as a percentage					
of total gross loans and other real estate owned ..	0.30%	0.88%	0.21%	1.03%	3.17%
Allowance for loan losses as a percentage					
of nonperforming loans .....	437.96%	137.09%	1434.68%	211.09%	86.13%

</TABLE>

- - - - -

- (1) During the year ended December 31, 2002, additional interest income of approximately \$41,000 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, 2002 was \$2.0 million, compared to \$5.1 million and \$995,000 at December 31, 2001 and 2000, respectively. Total nonperforming assets were 0.22% of total assets at December 31, 2002 compared to 0.64% and 0.14% of total assets at December 31, 2001 and 2000, respectively. Total nonperforming loans decreased \$3.1 million to a total of \$2.0 million at December 31, 2002 compared to an increase of \$4.1 million from the same period of 2000 to \$5.1 million at December 31, 2001 compared with total nonperforming loans of \$995,000 at December 31, 2000. The decrease at December 31, 2002 from the same period of 2001 was primarily attributable to an elimination by note sale and a payoff of loans to related borrowers to whom the Bank extended two commercial real estate secured loans totaling \$3.0 million. The Bank recognized a gain from the note sale.

There is no outstanding OREO at December 31, 2002.

#### 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 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 and anticipated 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.

This process involves judgmental discretion, and eventual losses may therefore differ from even the most recent estimates. Due to these limitations, the Bank assumes that there are losses inherent in the current loan portfolio which will be sustained, but which have not yet been identified.

Management believes that the allowance is adequate to absorb losses as they arise. 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,  
-----

	2002	2001	2000	1999	1998
	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
<b>BALANCES:</b>					
Average total loans outstanding during year ..	\$603,654	\$532,441	\$444,287	\$317,500	\$295,788
	=====	=====	=====	=====	=====
Total gross loans outstanding at end of year .....	\$683,131	\$572,354	\$467,807	\$385,745	\$298,011
	=====	=====	=====	=====	=====
<b>ALLOWANCE FOR LOAN LOSSES:</b>					
Balances at beginning of year .....	\$ 9,467	\$ 8,895	\$ 8,351	\$ 8,075	\$ 7,980
<b>Charge-offs:</b>					
Commercial and industrial(1) .....	1,479	1,094	567	962	2,911
Installment loans, net .....	18	-	33	17	80
Real estate loans:					
Commercial .....	-	-	-	457	623
Home mortgage .....	-	-	-	-	-
Home equity .....	-	-	-	-	210
Other(2) .....	250	214	96	140	227
Trade Finance .....	58	-	492	-	10
Bills Bought(3) .....	-	-	-	-	-
	-----	-----	-----	-----	-----
Total charge-offs .....	1,805	1,308	1,188	1,576	4,061
<b>Recoveries:</b>					
Commercial and industrial(1) .....	70	525	282	1,098	199
Installment loans, net .....	-	9	14	3	42
Real estate loans:					
Commercial .....	10	-	73	304	7
Home mortgage .....	-	-	0	-	-
Home equity .....	1	-	45	229	67
Other(2) .....	30	23	16	18	1
Trade Finance .....	-	24	2	-	-
Bills Bought(3) .....	-	-	-	-	-
	-----	-----	-----	-----	-----
Total recoveries .....	111	581	432	1,652	316
Net loan charge-offs (recoveries) .....	1,694	727	756	(76)	3,745
Provision for loan losses .....	1,100	1,300	1,300	200	3,840
	-----	-----	-----	-----	-----
Balance at end of year .....	\$ 8,873	\$ 9,467	\$ 8,895	\$ 8,351	\$ 8,075
	=====	=====	=====	=====	=====
<b>RATIOS:</b>					
Nonperforming loans to total loans .....	0.30%	0.88%	0.13%	1.03%	3.15%
Nonperforming assets to total loans and other real estate owned .....	0.30	0.88	0.21	1.03	3.17
Allowance for loan losses to total loans at year end .....	1.30	1.65	1.90	2.16	2.71
Allowance for loan losses to total nonperforming loans .....	437.96	187.09	1434.68	211.09	86.13
Net loan Charge-offs to allowance for loan losses at end of year .....	19.10	7.68	11.33	(0.91)	46.38
Net loan Charge-offs to provision for loan losses .....	154.05	55.96	58.15	(38.00)	97.52

</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.

Net loan charge-offs (recoveries) were \$1.7 million, \$727,000 and \$756,000 for the years ended December 31, 2002, 2001 and 2000, respectively. Gross charge-offs for these same periods were \$1.8 million, \$1.3 million and \$1.2 million, respectively. The increase in charge offs was mainly resulted from the commercial business loan charge offs.

For the year ended December 31, 2002, no amounts were charged off on Loans Involving Country Risk, but the Bank charged off a total of \$1.8 million, including \$1.5 million in commercial and industrial, \$150,000 in credit card debt, \$58,000 in trade finance, \$18,000 in installment, and \$100,000 in others. These charge-offs were offset by total recoveries in the amount of \$111,000 during the same period. With recoveries, the allowance for loan losses at December 31, 2002 decrease to \$8.9 million, compared to \$9.5 million, \$8.9 million at December 31, 2001 and 2000 respectively. The allowance for loan losses at December 31, 2002 as a percentage of total loans and as a percentage of nonperforming loans was 1.3% and 438.0%, respectively, compared to 1.7% and 187.1% at December 31, 2001 and 1.9% and 1434.7% at December 31, 2000,

respectively. The increase in the allowance for loan losses as a percentage of total nonperforming loans was primarily due to the decrease in total nonperforming loans to \$2.0 million in 2002 compared to \$5.1 million in 2001. The decrease in nonperforming loans in 2002 was primarily attributable to an elimination by note sale and a payoff of loans to related borrowers to whom the Bank extended two commercial real estate secured loans totaling \$3.0 million. The Bank recognized a gain from the note sale. 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 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.

In view of the potential risks to the Bank presented by another possible deterioration of the Korean Economy, the Bank has taken steps to minimize and mitigate its credit exposure to the Korean Economy. The Bank instituted new underwriting policies regarding Korean Affiliate Loans. Under the new policies, the Bank, in general, does not make 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. The Bank has experienced no losses on its Korean L/C Loans for at least the past five years and Management does not intend to reduce this segment of the loan portfolio. See "-- Loans Involving Country Risk."

The following table provides a breakdown of the allowance for loan losses by category as of the dates indicated. The allocation presented should not be interpreted as an indication that charges to the allowance for loan losses will be incurred in these amounts or proportions, or that the portion of the allowance allocated to each loan category represents the total amounts available for charge-offs that may occur within these categories.

<TABLE>  
<CAPTION>

ALLOCATION OF ALLOWANCE OF LOAN LOSSES AT DECEMBER 31,						
BALANCE AT END OF YEAR APPLICABLE TO -----	2002	-----		2001	2000	
	AMOUNT	% OF LOANS IN CATEGORY TO TOTAL LOANS	AMOUNT	% OF LOANS IN CATEGORY TO TOTAL LOANS	AMOUNT	% OF LOANS IN CATEGORY TO TOTAL LOANS
(DOLLARS IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial and industrial(1) ...	\$ 5,495	18.35%	\$ 5,753	19.31%	\$ 4,309	19.42%
Term Federal funds sold .....	-	-	-	-	-	-
Installment loans, net .....	30	3.11	51	2.54	38	3.72
Real estate loans:						
Commercial .....	1,938	57.94	2,318	54.39	1,598	53.54
Home mortgage .....	0	5.48	71	9.88	143	12.10
Home equity .....	2	0.88	64	0.82	223	1.01
Other(2) .....	413	11.44	346	10.02	450	7.94
Trade Finance .....	467	1.83	303	1.40	552	1.94
Bills Bought(3) .....	28	0.97	61	1.64	5	0.34
Unallocated(4) .....	500	-	500	-	1,577	-
Total .....	\$ 8,873	100.00%	\$ 9,467	100.00%	\$ 8,895	100.00%
	=====	=====	=====	=====	=====	=====

<CAPTION>

ALLOCATION OF ALLOWANCE OF LOAN LOSSES AT DECEMBER 31,				
BALANCE AT END OF YEAR APPLICABLE TO -----	1999	-----		1998
	AMOUNT	% OF LOANS IN CATEGORY TO TOTAL LOANS	AMOUNT	% OF LOANS IN CATEGORY TO TOTAL LOANS
(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>
Commercial and industrial(1) ...	\$ 3,288	22.42%	\$ 4,420	22.98%
Term Federal funds sold .....	-	-	-	6.71
Installment loans, net .....	64	2.33	68	4.48
Real estate loans:				
Commercial .....	1,524	46.34	1,617	43.56
Home mortgage .....	135	13.37	142	11.36
Home equity .....	394	1.07	443	1.56

Other(2) .....	542	6.27	431	6.63
Trade Finance .....	267	2.47	37	2.71
Bills Bought(3) .....	21	5.74	-	-
Unallocated(4) .....	2,116		917	
	-----	-----	-----	-----
Total .....	\$ 8,351	100.00%	\$ 8,075	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, 2002 and 2001, the unallocated solely consists of International Transfer Risk allocation for potential impact on Korean guarantors, as well as for Korean banks that support Korean L/C Loans.

#### 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, 2002, the Bank's investment portfolio amounted to \$154.0 million or 16.4% of total assets, compared to \$139.7 million or 17.7% of total assets at December 31, 2001 and \$156.1 million or 21.3% of total assets at December 31, 2000. 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 decrease of \$16.4 million or 10.5% at December 31, 2001 compared to the same period of prior year resulted from the \$86.1 million of matured securities offset by \$66.6 million of purchased securities and the \$3.1 million increase in fair market value of available-for-sale securities during 2001. The net increase in the investment portfolio was due to an implementation of the wholesale funding strategy and sales of investment securities.

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,					
-----					
2002		2001		2000	
----		----		----	
AMORTIZED	FAIR	AMORTIZED	FAIR	AMORTIZED	
COST	VALUE	COST	VALUE	COST	
----	-----	----	-----	----	----

(DOLLARS IN THOUSANDS)

<S> <C> <C> <C> <C> <C>

<C>

AVAILABLE-FOR-SALE:

U. S. Treasury securities	\$ 1,003	\$ 1,074	\$ 1,504	\$ 1,573	\$ 11,506	\$
11,516						
U. S. Government agencies	25,996	26,290	71,000	72,687	75,000	
75,099						
Mortgage-backed securities(1)	34,000	34,730	61,090	61,592	59,556	
58,752						
State and political subdivisions	2,507	2,607	3,699	3,810	4,735	
4,730						
	-----	-----	-----	-----	-----	-
Total available-for-sale	63,506	64,701	137,293	139,662	150,797	
150,097						
HELD-TO-MATURITY:						
U. S. Government agencies	-	-	-	-	6,001	
6,033						
Mortgage-backed securities(1)	89,314	90,799	-	-	6	
6						
	-----	-----	-----	-----	-----	-
Total held-to-maturity	89,314	90,799	-	-	6,007	
6,039						
	-----	-----	-----	-----	-----	-
Total investment securities	\$ 152,820	\$ 155,500	\$ 137,293	\$ 139,662	\$ 156,804	\$
156,136	=====	=====	=====	=====	=====	=====

</TABLE>

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

The following table summarizes the maturity and repricing schedule of the Bank's investment securities and their weighted average yield at December 31, 2002:

#### INVESTMENT MATURITIES AND REPRICING SCHEDULE

<TABLE>  
<CAPTION>

	WITHIN ONE YEAR		AFTER ONE BUT WITHIN FIVE YEARS		AFTER FIVE BUT WITHIN TEN YEARS	
	AMOUNT	YIELD(1)	AMOUNT	YIELD(1)	AMOUNT	YIELD(1)
	-----					
	(DOLLARS IN THOUSANDS)					
	<C>	<C>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:						
U. S. Treasury securities	-	-	\$ 1,074	5.82%	-	-
Obligations of other U. S. Government agencies	6,171	5.94%	20,119	4.16%	-	-
Mortgage-backed securities(2)	16,888	4.36%	14,304	5.93%	-	0.00%
Obligations of states and political subdivisions	1,543	6.13%	1,064	6.17%	-	-
Total available-for-sale	24,602	5.77%	36,561	5.60%	-	0.00%
	-----	-----	-----	-----	-----	-----
HELD-TO-MATURITY:						
Mortgage-backed securities(2)	-	-	89,314	4.37%	-	-
Total held-to-maturity	-	-	89,314	4.37%	-	-
	-----	-----	-----	-----	-----	-----
Total investment securities	\$24,602	5.77%	\$125,875	5.15%	-	0.00%
	=====	=====	=====	=====	=====	=====

<CAPTION>

	AFTER TEN YEARS		TOTAL	
	AMOUNT	YIELD(1)	AMOUNT	YIELD(1)
	-----			
	(DOLLARS IN THOUSANDS)			
	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:				
U. S. Treasury securities	-	-	\$ 1,074	5.82%
Obligations of other U. S. Government agencies	-	-	26,290	5.47%
Mortgage-backed securities(2)	3,538	7.04%	34,730	5.94%
Obligations of states and political subdivisions	-	-	2,607	6.09%
Total available-for-sale	3,538	7.04%	64,701	5.77%
	-----	-----	-----	-----
HELD-TO-MATURITY:				
Mortgage-backed securities(2)	-	-	89,314	4.37%
Total held-to-maturity	-	-	89,314	4.37%
	-----	-----	-----	-----

Total investment securities .....	\$3,538	7.04%	\$154,015	5.55%
	=====	=====	=====	=====

</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, 2002 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 \$24.1 million, \$26.0 million and \$31.7 million as of December 31, 2002, 2001 and 2000, respectively. The ratio of average cash and due from banks to the average total assets was 2.9%, 3.3% and 4.8% for the years ended December 31, 2002, 2001 and 2000, 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, 2002 and 2001. During 2001, the Bank acquired a property in the amount of \$117,000 and disposed of two properties including the one that was acquired during 2000 in the amount of \$375,000 with a gain of \$115,460. At December 31, 2000, the outstanding OREO was \$375,000.

DEPOSITS

Deposits are the Bank's primary source of funds. Total deposits at December 31, 2002, 2001 and 2000 were \$760.0 million, \$692.8 million and \$646.4 million, respectively. The Bank's average deposits were \$733.2 million, \$725.6 million and \$582.0 million for the years ended December 31, 2002, 2001 and 2000, respectively. The ratio of average noninterest-bearing deposits to average total deposits was 28.7%, 26.5% and 30.5% for the years ended December 31, 2002, 2001 and 2000, respectively. The Bank's average total cost of deposits was 1.74%, 3.06% and 3.36% for the years ended December 31, 2002, 2001 and 2000, respectively.

At December 31, 2002, core deposits, representing demand deposits and low cost deposits, were \$401.5 million, compared to \$341.9 million and \$313.7 million at December 31, 2001 and 2000, respectively, representing 52.8% of total deposits at December 31, 2002 compared to 47.4% and 53.0% at December 31, 2001 and 2000, respectively. The average core deposits for 2002 were \$379.7 million, compared to \$343.7 million and \$308.7 million for 2001 and 2000, 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,					
	2002		2001		2000	
AVERAGE	AVERAGE	AVERAGE	AVERAGE	AVERAGE	AVERAGE	AVERAGE
RATE	BALANCE	RATE	BALANCE	RATE	BALANCE	BALANCE
----	-----	----	-----	----	-----	-----
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Demand, noninterest-bearing .....	\$ 210,778	-%	\$ 192,589	-%	\$ 177,727	
Money market .....	118,875	1.87	102,151	2.69	83,797	
Super NOW .....	7,517	0.52	6,141	0.96	5,682	
1.57						

Savings .....	42,505	0.68	42,833	1.32	41,515
2.50					
Time certificates of deposit of					
\$100,000 or more .....	249,205	2.57	273,266	5.06	178,514
5.93					
Other time .....	104,355	3.05	108,587	4.62	94,769
5.22					
----	-----	----	-----	----	-----
Total deposits .....	\$ 733,235	1.66%	\$ 725,567	3.06%	\$ 582,004
3.36%	=====	=====	=====	=====	=====
====					

The following table sets forth the scheduled maturities of the Bank's time deposits in denominations of \$100,000 or more at December 31, 2002:

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

<TABLE>  
<CAPTION>

	AT DECEMBER 31, 2002
	-----
	(DOLLARS IN THOUSANDS)
<S>	<C>
Three months or less.....	\$ 154,243
Over three months through six months.....	55,803
Over six months through twelve months.....	46,794
Over twelve months.....	1,812
	-----
Total.....	\$ 258,652
	=====

</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 \$70.0 million at December 31, 2002 and zero at December 31, 2001. The average outstanding amount for 2002 was \$33.3 million and the weighted average rate was 3.5%.

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>

	PAGE
	----
<S>	<C>
Independent Auditor's Report from PricewaterhouseCoopers LLP.....	43
Independent Auditor's Report from KPMG LLP.....	44
Balance Sheets	
December 31, 2002 and 2001.....	45
Statements of Operations	
Years Ended December 31, 2002, 2001 and 2000.....	46
Statements of Changes in Stockholders' Equity and Comprehensive Income	
Years Ended December 31, 2002, 2001 and 2000.....	47
Statements of Cash Flows	
Years Ended December 31, 2002, 2001 and 2000.....	48
Notes to Financial Statements.....	49

</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS

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 then ended 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. The financial statements of the Company as of December 31, 2001 and for each of the two years then ended were audited by other independent accountants whose report dated January 11, 2002, except as to notes 14 (c) and 15 of the notes to the financial statements accompanying their report, expressed an unqualified opinion on those statements.

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

Los Angeles, California  
January 20, 2003

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, 2001 and the related statements of operations, changes in stockholders' equity and comprehensive income and cash flows for each of the years in the two-year period ended December 31, 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, 2001 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Los Angeles, California  
January 11, 2002

PACIFIC UNION BANK

Balance Sheets

December 31, 2002 and 2001

<TABLE>  
<CAPTION>

	2002	2001
	-----	-----
<S>	<C>	<C>
ASSETS		
Cash and due from banks - demand	\$ 24,054,519	\$ 25,971,442
Federal funds sold	62,500,000	42,000,000
Due from banks - interest-bearing	210,654	102,511
Federal Home Loan Bank Stock	3,537,800	1,503,800
Securities held-to-maturity, at amortized cost (fair value of \$90,798,966 in 2002) (note 2)	89,313,683	--

Securities available-for-sale, at fair value (note 3)	64,701,421	139,661,532
Loans	683,131,191	572,354,060
Less allowance for loan losses	(8,872,995)	(9,467,490)
Net loans (note 4)	674,258,196	562,886,570
Customers' acceptance liabilities	657,760	598,373
Bank premises and equipment, net (note 5)	6,610,142	9,338,467
Accrued interest receivable	3,404,574	3,455,021
Deferred tax asset (note 8)	4,663,046	3,318,530
Income taxes receivable	1,116,038	--
Other assets	1,967,404	672,126
Total assets	\$ 936,995,237	\$ 789,508,372

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits (note: 7)		
Demand, non-interest bearing	\$ 223,377,195	\$ 203,360,228
Demand, interest-bearing	7,602,024	6,570,226
Money market and savings	170,486,917	131,958,322
Time certificates of deposit:		
Less than \$100,000	99,876,831	102,302,690
\$100,000 or more	258,652,585	248,560,063
Total deposits	759,995,552	692,751,529
Federal Home Loan Bank advances	70,000,000	--
Acceptance liabilities	657,760	598,373
Accrued interest payable	3,140,064	4,684,665
Other liabilities	2,325,902	1,513,748
Total liabilities	836,119,278	699,548,315

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 10,621,554 shares in 2002 and 10,606,417 shares in 2001	63,724,507	56,820,088
Capital surplus	22,174,825	15,860,704
Retained earnings	14,283,984	15,703,322
Accumulated other comprehensive gain - net unrealized gain on securities available-for-sale	692,643	1,575,943
	100,875,959	89,960,057
	\$ 936,995,237	\$ 789,508,372

</TABLE>

See accompanying note to financial statements.

PACIFIC UNION BANK  
Statements of Operations  
Years ended December 31, 2002, 2001 and 2000

<TABLE>  
<CAPTION>

	2002	2001	
2000			
	----	----	
<S>	<C>	<C>	<C>
Interest income:			
Interest and fees on loans	\$ 37,107,264	\$ 42,257,739	\$
42,486,663			
Dividend on Federal Home Loan Bank stock	115,457	75,617	
149,120			
Interest on securities held-to-maturity	2,013,163	265,552	
647,481			
Interest on securities available-for-sale	5,979,170	9,244,815	
8,609,965			
Interest on federal funds sold	1,143,880	3,382,300	
1,216,959			
Other interest income	19,176	50,238	
58,586			
	-----	-----	----
Total interest income	46,378,110	55,276,261	
53,168,774			

-----			
Interest expense:			
Demand - interest bearing	38,953	58,721	
89,458			
Savings and money market	2,515,999	3,308,177	
3,941,294			
Time certificates of deposit:			
Less than \$100,000	3,179,952	5,015,274	
4,948,032			
\$100,000 or more	6,412,516	13,820,403	
10,590,668			
Other borrowings	1,163,409	907	
556,578			
-----			
Total interest expense	13,310,829	22,203,482	
20,126,030			
-----			
Net interest income before provision for loan losses	33,067,281	33,072,779	
33,042,744			
Provision for loan losses	1,100,000	1,300,000	
1,300,000			
-----			
Net interest income after provision for loan losses	31,967,281	31,772,779	
31,742,744			
-----			
Other income:			
Service charges on deposit accounts	6,484,137	6,572,888	
5,652,034			
Remittance fees	912,045	918,421	
996,139			
Letter of credit related fees	807,397	767,741	
908,662			
Net other real estate owned income	--	113,708	
357,226			
Gain on sale of loans	705,351	--	
--			
Gain on sale of securities	824,472	--	
--			
Gain on sale of premise	1,193,797	--	
--			
Other operating income	1,718,108	1,533,777	
1,421,137			
-----			
Total other income	12,645,307	9,906,535	
9,335,198			
-----			
Other expenses:			
Salaries and employee benefits	12,347,558	11,946,311	
11,572,648			
Security guards	937,700	868,007	
783,381			
Net occupancy expense	2,872,931	2,902,808	
2,893,910			
Equipment expense	1,384,149	1,246,714	
1,077,869			
Data processing	1,942,384	1,713,408	
1,266,878			
Net other real estate owned expense	41	--	
--			
Office supplies	482,764	552,627	
561,250			
Legal and professional	1,206,560	756,620	
479,877			
Advertising and public relations	844,688	568,332	
578,612			
Communication expenses	1,034,561	947,838	
926,099			
Other operating expenses	2,503,874	1,893,751	
1,942,937			
-----			
Total other expenses	25,557,210	23,396,416	
22,083,461			
-----			
Income before income taxes	19,055,378	18,282,898	
18,994,481			

Income taxes		7,404,000	6,711,000	
6,843,500		-----	-----	----
-----				
Net income		\$ 11,651,378	\$ 11,571,898	\$
12,150,981		=====	=====	
=====				
Net income per share (Note 15)				
Basic		\$ 1.10	\$ 1.09	\$
1.32				
Diluted		1.09	1.08	
1.32		=====	=====	
=====				
Weighted-average common shares outstanding (Note 15)				
Basic		10,616,017	10,600,306	
9,180,807				
Diluted		10,702,092	10,695,306	
9,188,491				

See accompanying note to financial statements.

PACIFIC UNION BANK

Statements of Changes in Stockholders' Equity and Comprehensive Income

Years ended December 31, 2002, 2001 and 2000

<TABLE>  
<CAPTION>

Total	Number of				Accumulated
stockholder's	shares	Common	Capital	Retained	other
equity	Outstanding	stock	surplus	earnings	comprehensive
	-----	-----	-----	-----	income (loss)
					-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Balance at December 31, 1999	6,666,667	\$ 40,000,000	\$ 10,000,000	\$ 9,528,293	\$ (3,086,606)
\$ 56,441,687					
Issuance of common stock	1,935,000	11,610,000	1,464,563	--	--
13,074,563					
Cash dividend paid	--	--	--	(8,000,000)	--
(8,000,000)					
Comprehensive income:					
Net income	--	--	--	12,150,981	--
12,150,981					
Change in unrealized gain (loss) on					
securities available-for-sale,					
net of tax effect of \$1,345,034	--	--	--	--	2,631,541
2,631,541					
Total comprehensive income	--	--	--	--	--
14,782,522					
-----					
Balance at December 31, 2000	8,601,667	\$ 51,610,000	\$ 11,464,563	\$ 13,679,274	\$ (455,065)
\$ 76,298,772					
=====					
Stock dividend	860,164	5,160,984	4,386,836	(9,547,820)	--
--					
Cash paid for fractional shares	--	--	--	(30)	--
(30)					
Stock options exercised	8,184	49,104	9,305	--	--
58,409					
Comprehensive income:					
Net income	--	--	--	11,571,898	--
11,571,898					
Change in unrealized gain (loss) on					
securities available-for-sale,					
net of tax effect of \$1,037,150	--	--	--	--	2,031,008
2,031,008					
Total comprehensive income	--	--	--	--	--
13,602,906					
-----					
Balance at December 31, 2001	9,470,015	\$ 56,820,088	\$ 15,860,704	\$ 15,703,322	\$ 1,575,943
\$ 89,960,057					

Stock options exercised	14,992	85,137	11,545	--	--
96,682					
Stock dividend	1,136,547	6,819,282	6,251,009	(13,070,291)	--
--					
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 of \$289,515	--	--	--	--	(883,300)
(883,300)					
Total comprehensive income	--	--	--	--	--
10,768,078					
Balance at December 31, 2002	10,621,554	\$ 63,724,507	\$ 22,174,825	\$ 14,283,984	\$ 692,643
\$ 100,875,959					

See accompanying notes to financial statements.

PACIFIC UNION BANK

Statements of Cash Flows

Years ended December 31, 2002, 2001 and 2000

	2002	2001	
Cash flows from operating activities:			
Net income	\$ 11,651,378	\$ 11,571,898	\$
12,150,981			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expenses	1,346,077	1,358,581	
1,267,565			
Provision for loan losses	1,100,000	1,300,000	
1,300,000			
Gain on sale of securities	(824,472)	--	
--			
Amortization of premium on securities held-to-maturity, net	(722,824)	1,387	
29,948			
Amortization of premium on securities available-for-sale, net	(100,250)	118,990	
69,430			
Gain on disposal of Bank premises	(1,193,797)	--	
--			
Net (gain) loss on disposal of Bank equipment	(6,114)	9,084	
(18,864)			
Gain on sale of loans	(705,351)	--	
--			
Origination of loans held for sale	(2,260,426)	--	
--			
Proceeds from sale of loans held for sale	2,380,000	--	
--			
Net gain on sale of other real estate owned	--	(115,460)	
(362,473)			
Decrease (increase) in accrued interest receivable	50,447	1,479,283	
(894,692)			
Increase in deferred income taxes	(1,055,001)	(479,999)	
(365,201)			
(Increase) decrease in income taxes receivable	(1,116,038)	539,950	
(145,686)			
Stock dividend on Federal Home Loan Bank stock	(102,700)	(89,500)	
(127,600)			
(Increase) decrease in other assets	(1,295,278)	59,979	
(89,092)			
(Decrease) increase in accrued interest payable	(1,544,601)	(1,627,173)	
3,064,084			

Increase (decrease) in other liabilities (42,112)	812,154	(250,058)	--
-----	-----	-----	-----
Net cash provided by operating activities 15,836,288	6,413,204	13,876,962	--
-----	-----	-----	-----
Cash flows from investing activities:			
(Increase) decrease in Federal Home Loan Bank stock 713,300	(1,931,300)	--	--
Proceeds from maturities and redemptions of securities held-to-maturity 5,724,326	11,883,552	6,005,687	--
Proceeds from maturities and redemptions of securities available-for-sale 22,188,501	73,260,223	97,863,961	--
Proceeds from sale of securities available-for-sale --	30,125,842	--	--
Purchase of securities held-to-maturity --	(100,474,410)	--	--
Purchase of securities available-for-sale (24,752,854)	(28,674,047)	(84,479,380)	--
Proceeds from recoveries of written-off loans 431,849	110,488	580,525	--
Net increase in loans (83,845,944)	(111,996,337)	(105,855,094)	--
Purchases of Bank premises and equipment (1,884,261)	(1,013,395)	(741,232)	--
Proceeds from sale of Bank premises and equipment 48,700	3,595,554	--	--
Proceeds from sale of other real estate owned 582,929	--	490,943	--
-----	-----	-----	-----
Net cash used in investing activities (80,793,454)	(125,113,831)	(86,134,590)	--
-----	-----	-----	-----
Cash flows from financing activities:			
Net increase (decrease) in demand deposits, non-interest bearing (7,669,415)	20,016,967	14,207,901	--
Net increase (decrease) in demand deposits, interest-bearing 922,505	1,031,798	(32,665)	--
Net increase in money market and savings deposits 15,105,770	38,528,595	14,048,687	--
Net increase in time certificates of deposit 104,924,896	7,666,663	18,123,837	--
Increase in other borrowed funds --	70,000,000	--	--
Proceeds from issuance of common stock 13,074,563	--	--	--
Proceeds from exercise of stock options --	148,249	58,409	--
Cash dividends paid (8,000,000)	--	--	--
Cash paid for fractional shares --	(425)	(30)	--
-----	-----	-----	-----
Net cash provided by financing activities 118,358,319	137,391,847	46,406,139	--
-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents 53,401,153	18,691,220	(25,851,489)	--
-----	-----	-----	-----
Cash and cash equivalents at beginning of year 40,524,289	68,073,953	93,925,442	--
-----	-----	-----	-----
Cash and cash equivalents at end of year 93,925,442	\$ 86,765,173	\$ 68,073,953	\$
=====	=====	=====	=====
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest 17,061,946	\$ 14,855,429	\$ 23,830,656	\$
Income taxes 7,416,000	8,757,760	6,134,000	
=====	=====	=====	=====
Noncash investing and financing activities:			

Real estate acquired in settlement of loans	\$	--	\$	117,000	\$
595,939					
Stock dividend		13,070,291		9,547,820	
--		=====		=====	
=====					

</TABLE>

See accompanying notes to financial statements.

PACIFIC UNION BANK

Notes to Financial Statements

December 31, 2002 and 2001

(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"), formally the sole owner of the Bank, now owns 62.4% of the outstanding shares. The remaining shares are publicly traded.

(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) 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.

(c) 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.

(d) LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are recorded in the financial statements at the principal amount outstanding, net of unearned income 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 allowance for loan losses is maintained at a level considered adequate by management to provide for potential loan losses. 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.

## PACIFIC UNION BANK

### Notes to Financial Statements

December 31, 2002 and 2001

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.

#### (e) 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.

#### (f) 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.

#### (g) 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:

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

#### (h) 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.

(i) 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.

(j) RECLASSIFICATIONS

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

(k) 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.

PACIFIC UNION BANK

Notes to Financial Statements

December 31, 2002 and 2001

(l) RECENT ACCOUNTING PRONOUNCEMENTS

In, May 2002, Statement of Financial Accounting Standards No. 145, Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections (SFAS No. 145), was issued. SFAS No. 145 will require gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as

extraordinary items as previously required under SFAS No. 4. Extraordinary treatment will no longer be permitted for certain extinguishments considered to be part of a company's risk management strategy. SFAS 145 also amends SFAS No. 13 to require certain modifications to capital leases be treated as a sale-leaseback and modifies the accounting for sub-leases when the original lessee remains a secondary obligor (or guarantor). SFAS No. 145 is effective for financial statements issued after May 15, 2002, and with respect to the impact of the reporting requirements of changes made to SFAS No. 4 for fiscal years beginning after May 15, 2002. The Bank does not expect the adoption of SFAS No. 145 to have a material impact on its financial condition or results of operations

In November 2002, FASB Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34, (FIN No. 45) was issued. FIN No. 45 clarifies requirements relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. FIN No. 45 requires that upon issuance of a guarantee, companies recognize a liability for the fair value of the obligation it assumes under that guarantee. The Company has adopted the annual disclosure provisions of FIN No. 45 in the year ended December 31, 2002 consolidated financial statements. The Bank will adopt the provisions for initial recognition and measurement and interim disclosures during the first quarter of 2003. The Bank is currently evaluating the impact of adopting FIN No. 45.

In October 2002, Statement of Financial Accounting No. 147, Acquisitions of Certain Financial Institutions (SFAS No. 147). SFAS No. 147 applies to all acquisitions of financial institutions except those between mutual enterprises. This Statement amends FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those

intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that Statement 144 requires for other long-lived assets that are held and used. The provisions of this Statement relating to the application of the purchase method of accounting, was effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions of this Statement relating to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets were effective on October 1, 2002. Transition provisions for previously recognized unidentifiable intangible assets in were effective on October 1, 2002, with earlier application permitted. The adoption of FASB No. 147 is not expected to have a material effect on the financial statements.

In December 2002, Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure-An Amendment of SFAS No. 123 (SFAS No. 148), was issued. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation ( SFAS No. 123 ), to provide alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in not only annual, but also interim financial statements about the effect the fair value method would have had on reported results. The transition and annual disclosure requirements of SFAS No. 148 are effective for fiscal years ending after December 15, 2002. The interim disclosure requirements are effective for interim periods beginning after December 15, 2002. The Bank is currently evaluating the impact of adopting SFAS No. 148.

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 addresses consolidation by business enterprises of variable interest entities and clarifies 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 applies 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. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Certain

PACIFIC UNION BANK

Notes to Financial Statements

December 31, 2002 and 2001

disclosures are effective immediately. The adoption of FIN No. 46 is not expected to have a material effect on the financial statements.

(2) SECURITIES HELD-TO-MATURITY

The amortized cost, estimated fair value and maturities of securities held-to-maturity at December 31, 2002 are summarized as follows:

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

Securities held-to-maturity with an amortized cost of \$89,313,683 at December 31, 2002 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, 2002 and 2001:

<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 in one year or less	\$ --	--	--	\$ --
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>

<TABLE>  
<CAPTION>

	2001			
	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	\$ 500,000	11,250	--	\$ 511,250
Due after one year through five years	1,004,233	57,017	--	1,061,250
U.S. government agencies:				
Due in one year or less	4,000,000	31,106	--	4,031,106
Due after one year through five years	67,000,000	1,656,281	--	68,656,281
Mortgage-backed securities	61,090,062	546,404	(44,972)	61,591,494
State and political subdivisions :				
Due in one year or less	1,180,986	17,628	--	1,198,614
Due after one year through five years	2,518,192	93,345	--	2,611,537
Total	\$137,293,473	2,413,031	(44,972)	\$ 139,661,532

</TABLE>

PACIFIC UNION BANK

Notes to Financial Statements

December 31, 2002 and 2001

Securities available-for-sale of \$53,350,436 and \$70,236,750 at December 31, 2002 and December 31, 2001, 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 at December 31, 2002 and 2001 consisted of the following:

<TABLE>  
<CAPTION>

2002	2001
-----	-----

<S>	<C>	<C>
Commercial and industrial	\$125,864,751	\$110,656,394
Installment loans, net	21,223,988	14,527,139
Real estate loans	434,072,716	368,729,336
Home equity	6,018,120	4,725,871
Bills bought	6,616,931	9,399,358
Trade finance	12,488,147	7,990,175
SBA loans	74,560,313	53,387,876
Other	3,618,998	3,961,099
	-----	-----
	\$684,463,964	\$573,377,248
Less deferred loan fees	(1,332,773)	(1,023,188)
	-----	-----
Total loans	\$683,131,191	\$572,354,060
	=====	=====

</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 \$9,151,000 and \$137,000 as of December 31, 2002 and 2001, respectively.

Loans on which the accrual of interest has been discontinued amounted to \$1,998,000 and \$5,021,000 at December 31, 2002 and 2001, respectively. If interest on these loans had been accrued, interest income would have increased by approximately \$41,000 in 2002 and \$72,000 in 2001.

Loans 90 days or more past due as to interest and/or principal which are not on nonaccrual status approximated \$28,000 and \$39,000 at December 31, 2002 and 2001, respectively.

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

Total recorded investment in impaired loans was \$2,551,000 and \$5,369,000 with a related impairment allowance of \$371,000 and \$720,000 at December 31, 2002 and 2001, respectively. During the years ended December 31, 2002, 2001 and 2000, respectively, the Bank's average investment in impaired loans was \$7,248,000, \$3,645,000 and \$1,259,000. Interest income of \$129,000, \$138,000 and \$106,000 would have been recorded during the years ended December 31, 2002, 2001 and 2000, 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.

PACIFIC UNION BANK

Notes to Financial Statements

December 31, 2002 and 2001

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

<TABLE>  
<CAPTION>

	2002	2001	2000
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance at beginning of year	\$ 9,467,490	\$ 8,894,927	\$ 8,350,870
Provision charged to operating expense	1,100,000	1,300,000	1,300,000
Loans charged off	(1,804,983)	(1,307,962)	(1,187,792)
Recoveries on loans previously charged off	110,488	580,525	431,849
	-----	-----	-----
Net loan charge offs	(1,694,495)	(727,437)	(755,943)
	-----	-----	-----
Balance at end of year	\$ 8,872,995	\$ 9,467,490	\$ 8,894,927
	=====	=====	=====

</TABLE>

(5) BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31, 2002 and 2001 consisted of:

<TABLE>  
<CAPTION>

	2002	2001
	-----	-----
<S>	<C>	<C>
Land	\$ 1,511,425	\$ 2,969,629
Building	5,303,227	7,613,835
Equipment and furnishings	8,141,377	7,626,518
Leasehold improvements	4,561,162	4,443,667
	-----	-----
	19,517,191	22,653,649
Less accumulated depreciation and amortization	(12,907,049)	(13,315,182)
	-----	-----
Net premises and equipment	\$ 6,610,142	\$ 9,338,467
	=====	=====

</TABLE>

Depreciation and amortization expense for the years ended December 31, 2002, 2001 and 2000 amounted to \$1,346,077, \$1,358,581 and \$1,267,565, respectively.

(6) OTHER REAL ESTATE OWNED

For the years ended December 31, 2002, 2001 and 2000, net other real estate owned (income) expense was comprised of the following:

<TABLE>  
<CAPTION>

	2002	2001	2000
	-----	-----	-----
<S>	<C>	<C>	<C>
Net gain on sale of other real estate owned	\$ --	\$ (115,460)	\$ (362,473)
Direct holding costs, net	41	1,752	5,247
	-----	-----	-----
Net other real estate owned (income) expense	\$ 41	\$ (113,708)	\$ (357,226)
	=====	=====	=====

</TABLE>

PACIFIC UNION BANK

Notes to Financial Statements

December 31, 2002 and 2001

(7) DEPOSITS

Time deposits by maturity dates are as follows at December 31,

<TABLE>  
<CAPTION>

	2002	2001
	-----	-----
<S>	<C>	<C>
Less than three months	\$197,403,240	\$221,804,864
After three months to six months	78,887,240	64,774,151
After six months to twelve months	70,081,859	52,366,695
After twelve months	12,157,077	11,917,043
	-----	-----
Total time deposits	\$358,529,416	\$350,862,753
	=====	=====

</TABLE>

A summary of interest expenses on deposits is as follows for the years ended December 31, 2002, 2001 and 2000.

<TABLE>  
<CAPTION>

	2002	2001	2000
	-----	-----	-----
<S>	<C>	<C>	<C>
Demand - interest bearing	\$ 38,953	\$ 58,721	\$ 89,458
Savings and money market	2,515,999	3,308,177	3,941,294
Time certificates of deposit:			
Less than \$100,000	3,179,952	5,015,274	4,948,032
\$100,000 or more	6,412,516	13,820,403	10,590,668
Other borrowings	1,163,409	907	556,578

Total interest expense	----- \$13,310,829 =====	----- \$22,203,482 =====	----- \$20,126,030 =====
------------------------	--------------------------------	--------------------------------	--------------------------------

</TABLE>

(8) INCOME TAXES

The provision for income taxes includes the following:

<TABLE>  
<CAPTION>

	DECEMBER 31		
	2002	2001	2000
<S>	<C>	<C>	<C>
Current:			
Federal	\$ 5,465,500	\$ 6,580,000	\$ 6,913,000
State	2,993,500	611,000	295,000
	-----	-----	-----
	8,459,000	7,191,000	7,208,000
	-----	-----	-----
Deferred:			
Federal	(22,000)	(480,000)	(365,000)
State	(439,000)	(186,000)	26,000
	-----	-----	-----
	(461,000)	(666,000)	(339,000)
	-----	-----	-----
Total:			
Federal	5,443,500	6,100,000	6,548,000
State	2,554,500	425,000	321,000
Change in valuation allowance for deferred tax assets	(594,000)	186,000	(25,500)
	-----	-----	-----
Total income tax expense	\$ 7,404,000	\$ 6,711,000	\$ 6,843,500
	=====	=====	=====

</TABLE>

Applicable income tax expense in 2002, 2001 and 2000 resulted in effective tax rates of 38.86%, 36.71% and 36.03%, respectively, of income before income taxes. The primary reasons for the differences from the federal statutory tax rate of 35% in 2002, 2001 and 2000 are as follows:

PACIFIC UNION BANK

Notes to Financial Statements

December 31, 2002 and 2001

<TABLE>  
<CAPTION>

	2002	2001	2000
<S>	<C>	<C>	<C>
Income tax expense at federal statutory rate	\$ 6,669,000	\$ 6,399,000	\$ 6,648,000
State franchise taxes, net of federal income tax benefit	1,660,000	276,000	208,000
Valuation allowance	(594,000)	186,000	(25,500)
Other, net	(331,000)	(150,000)	13,000
	-----	-----	-----
	\$ 7,404,000	\$ 6,711,000	\$ 6,843,500
	=====	=====	=====

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2002 and 2001 are presented below:

<TABLE>  
<CAPTION>

	2002	2001
<S>	<C>	<C>
Deferred tax assets:		
Loans principally due to allowance for loan losses	\$ 3,897,000	\$ 3,723,000
Unrealized loss on securities available-for-sale	--	--
Bank premises and equipment principally due to differences in depreciation	125,000	423,000
Federal deduction or state tax	1,079,000	485,000
Other	64,646	73,646
	-----	-----
Total gross deferred tax assets	5,165,646	4,704,646
Less valuation allowance	--	(594,000)
	-----	-----
Net deferred tax assets	5,165,646	4,110,646
	-----	-----

Deferred tax liabilities:		
Net unrealized gain on securities available-for-sale	(502,600)	(792,116)
	-----	-----
Net deferred tax assets, net	\$ 4,663,046	\$ 3,318,530
	=====	=====

</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. 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 has been adjusted to reflect the stock dividend of March 28, 2002 (See note 15).

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

<TABLE>  
<CAPTION>

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

</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 \$2.53 and \$2.06 per share in 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 62% and 36% in 2002 and 2001, respectively, risk-free interest rate of 4.21% and 4.78% in 2002 and 2001, respectively and expected lives of five to ten years in 2002 and 2001.

Information pertaining to stock options outstanding at December 31, 2002 is as follows:

<TABLE>  
<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
	NUMBER	WEIGHTED	WEIGHTED	NUMBER	WEIGHTED	WEIGHTED
		AVERAGE	AVERAGE		AVERAGE	AVERAGE
		REMAINING	EXERCISE		EXERCISE	EXERCISE
	OUTSTANDING	CONTRACTUAL LIFE	PRICE	EXERCISABLE	PRICE	PRICE
	-----	-----	-----	-----	-----	-----
WEIGHTED						
AVERAGE						
EXERCISE						
RANGE OF EXERCISE PRICES						

---

<S>	<C>	<C>	<C>	<C>	<C>
\$6.37 - 7.56	141,580	4.71 years	6.68	53,313	6.56
\$9.46 - 17.38	170,659	4.97 years	14.85	19,502	9.88
	-----			-----	
Outstanding at end of year	312,239	4.85 years	11.15	72,815	7.44
	=====			=====	

</TABLE>

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, 2002 and 2001 would have been reduced to the pro forma indicated below.

<TABLE>  
<CAPTION>

	2002	2001	2000
<S>	<C>	<C>	<C>
Net Income:			
As reported	\$ 11,651,378	11,571,898	12,150,981
Pro-forma	11,599,887	11,521,958	12,126,466
Earnings per share:			
As reported:			
Basic	\$ 1.10	1.09	1.32
Diluted	1.09	1.08	1.32
Pro-forma:			
Basic	\$ 1.09	1.09	1.32
Diluted	1.08	1.08	1.32

</TABLE>

(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 2002, 2001 and 2000. Contributions for the years ended December 31, 2002, 2001 and 2000 were approximately \$262,000, \$285,000 and \$247,000 respectively.

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

There are various legal proceedings pending against the Bank. 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 \$1,697,147 in 2002, \$1,629,571 in 2001 and \$1,723,267 in 2000. 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, 2002:

<TABLE>  
<CAPTION>

<S>	MINIMUM RENTALS	SUBLEASE RENTAL INCOME
<C>	<C>	<C>
Year ending December 31:		
2003	\$ 1,645,609	\$ 218,832
2004	1,626,082	218,832
2005	1,415,920	--
2006	1,207,483	--
2007	1,186,515	--
Later years	1,066,956	--
	-----	-----
	\$ 8,148,565	\$ 437,664
	=====	=====

</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, 2002 and 2001:

<TABLE>  
<CAPTION>

	2002		2001	
	OUTSTANDING AMOUNT	GUARANTEED AMOUNT	OUTSTANDING AMOUNT	GUARANTEED AMOUNT
<S>	<C>	<C>	<C>	<C>
Commitments to extend credit:				
Commercial loans	\$92,454,540	\$ --	\$33,810,704	\$ --
Home equity line of credit	4,325,374	--	4,409,023	--
Credit card loans and others	6,623,348	--	6,851,421	--
Standby letters of credit	19,575,312	19,575,312	12,096,276	12,096,276
Commercial letters of credit	5,404,357	--	5,547,866	--

</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 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>

	2002	2001
<S>	<C>	<C>
Due from banks - demand	\$ 264,633	\$ 777,718
Demand deposits, non-interest bearing	\$ 3,515,539	\$ 2,445,054

</TABLE>

At December 31, 2002 and 2001, loans to certain directors and officers amounted approximately \$55,000 and \$85,000, respectively. One director has a line of credit of zero and \$1 million with the Bank with no outstanding amount at December 31, 2002 and 2001, 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

Due to the short-term nature of these borrowings, the carrying amount is assumed to be a reasonable estimate of fair value.

(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, 2002 and 2001 is as follows (dollars in thousands):

<TABLE>  
<CAPTION>

2002		2001	
CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
-----	-----	-----	-----



<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total capital (to risk-weighted assets)	\$ 95,864	16.07%	\$ 47,723	> or = 8.0%	\$ 59,654	> or = 10.0%
Tier I capital (to risk-weighted assets)	88,384	14.82	23,855	> or = 4.0	35,783	> or = 6.0
Tier I capital (to average assets)	88,384	10.77	32,813	> or = 4.0	41,016	> 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

The Bank also is currently subject to a Consent Order issued by the FDIC pursuant to Section 8(b)(1) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1818(b)(1) and which became effective on April 14, 2002. The FDIC issued the Consent Order as provided by the Consent Agreement that the Bank entered into with the FDIC. The Consent Order requires the Bank to take specific actions necessary to correct certain Bank Secrecy Act compliance deficiencies including inadequate training, internal controls and ineffective independent testing of such controls. Even before the Consent Order became effective, the Bank began taking proactive steps in 2001 to improve its BSA compliance. For example, in late 2001, the Bank implemented an enterprise-wide risk management infrastructure, which includes a comprehensive compliance program and training. This step was taken with the assistance of a leading financial services consulting firm, The Secura Group, whom the Bank retained in November 2001 to advise and assist the Bank in its compliance efforts. In addition, the Bank created a new senior executive position of Chief Risk Officer and hired the CRO in May 2002 to enhance overall Risk Management processes. Finally, to improve the overall efficiency and effectiveness of BSA monitoring, the Bank purchased a new automated BSA tracking/monitoring system which was installed in 2002 and is in the process of implementation. The Bank expects this system to be fully functional shortly, which will satisfy one of the most critical requirements of the Consent Order.

(15) EARNINGS PER SHARE

The following earnings per share as of December 31, 2002, 2001 and 2000 has been restated for the 12% stock dividend in 2002 and 10% stock dividend in 2001.

<TABLE>

<CAPTION>

2002	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
<S>	<C>	<C>	<C>
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>

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
2001			
<S>	<C>	<C>	<C>
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>

<TABLE>  
<CAPTION>

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
2000			
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$ 12,150,981	9,180,807	\$ 1.32
Effect of Dilutive Securities -			
Options	--	7,684	--
Diluted EPS -			
Income available to common stockholders	\$ 12,150,981	9,188,491	\$ 1.32

</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
<S>	<C>	<C>	<C>	<C>
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
2001				
Interest income	\$ 14,678	\$ 14,591	\$ 13,924	\$ 12,083
Net interest income	8,215	8,136	8,643	8,079
Provision for losses on loans	100	250	600	350
Net income before income taxes	5,289	4,607	4,646	3,741
Net income	3,230	2,762	3,061	2,519
Basic earnings per common share	0.34	0.29	0.32	0.27
Diluted earnings per share	0.34	0.29	0.32	0.26

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

At its Board of Directors meeting on March 28, 2002, the Board of Directors terminated the services of KPMG LLP ("KPMG"). At the same meeting, the Board of Directors selected the accounting firm of PriceWaterhouseCoopers LLP ("PwC") as independent auditors for the remainder of the Bank's 2002 fiscal year. The determination to replace KPMG was recommended by the audit committee and approved by the full board of directors of the Bank.

KPMG audited the consolidated financial statements for the Bank for the years ended December 31, 2001 and 2000. KPMG's report on the financial statements for the last two fiscal years of the Bank did not contain an adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles.

During the two fiscal years ended December 31, 2001 and 2000 and the subsequent interim period January 1, 2002 through March 28, 2002, there were no disagreements with KPMG 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 KPMG, would have caused it

to make reference to the subject matter of the disagreements in connection with its reports.

The Bank filed a Report on Form 8-K concerning the change in accountants dated March 28, 2002. The Bank requested that KPMG review the disclosure in the Report on Form 8-K, and KPMG 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.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information as of March 24, 2003, 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>

PERCENTAGE NAME AND OFFICES SHARES HELD WITH BANK OUTSTANDING (3)	PRINCIPAL OCCUPATION FOR THE PAST FIVE YEARS	AGE	YEAR FIRST	COMMON STOCK BENEFICIALLY OWNED ON MARCH 24, 2003(1)		
			ELECTED OR APPOINTED DIRECTOR	NUMBER OF SHARES	VESTED OPTION SHARES (2)	OF
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Allan E. Dalshaug Chairman of the Board	Retired (formerly Banker) (4)	71	1999 (Chairman since 2000)	26,985	4,928	*
Woon Seok Hyun President, Chief Executive Officer and Director(5)	President and Chief Executive Officer, Pacific Union Bank(6)	56	1997(7)	0	7,392	*
Yoon Soo Kim Director	Executive Vice President and Managing Director, Korea Exchange Bank, Regional Headquarters for the Americas(8)	55	2000	0	4,928	*
Yong Koo Kim Director	General Manager, Korea Exchange Bank, Los Angeles Agency(9)	49	2002	0	0	*
Oh Hoon Kwon Senior Vice President, Chief Operating Officer and Director	Senior Vice President and Chief Operating Officer, Pacific Union Bank(10)	45	2002	0	0	*

\* Less than one percent (1%).

(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) Represents option shares which are vested or will vest within 60 days of March 24, 2003 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 March 24, 2003 pursuant to the Bank's Stock Option Plan. (See "Stock Options" and "Compensation of Directors" herein.)

(4) Mr. Dalshaug retired in July 1998 and most recently served as Chairman of the Board and Chief Executive Officer of Sterling Bank in Los Angeles, a specialist commercial bank of which he was also a founding director and promoter, from 1980 until its sale in 1998.

(5) Mr. Hyun has announced his intention to resign as President, Chief Executive Officer and a Director effective May 22, 2003.

(6) Mr. Hyun has served as President and Chief Executive Officer of the Bank since May 15, 2001. Previously, he served as Executive Vice President of KEB's Regional Headquarters for Japan and General Manager of KEB's Tokyo branch since January 2000; and as General Manager of KEB's Los Angeles Agency from February 1997 to March 1999.

(7) Mr. Hyun served as a director of the Bank from March 1997 to April 1999, and has served as a director again since May 2001.

(8) Dr. Yoon Soo Kim has held this position with KEB since September 2000. Previously, he served as Managing Director of KEB's Treasury Unit from May to September 2000; as General Manager of KEB's International Banking Division from March 1999 to May 2000; and as General Manager of KEB's Capital Market Division from January 1998 to March 1999.

(9) 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.

(10) 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 and footnotes continued on following page.)

<TABLE>  
<CAPTION>

PERCENTAGE NAME AND OFFICES SHARES HELD WITH BANK OUTSTANDING (3)	PRINCIPAL OCCUPATION FOR THE PAST FIVE YEARS	AGE	YEAR FIRST ELECTED OR APPOINTED DIRECTOR	COMMON STOCK BENEFICIALLY OWNED ON MARCH 24, 2003 (1)		
				NUMBER OF SHARES	VESTED OPTION SHARES (2)	OF
Donald D. Byun Director	President, OTO Sportswear, Inc. (Manufacturing and Import Company)	51	2000	61,600	4,928	*
Sun Kee Kim Director	Professor of Economics and Statistics, California State University, Los Angeles	69	2002	0	0	*
Kraig A. Kupiec Director	Managing Member, Finance Operations, Shoreline Trading Group LLC (Securities Broker-Dealer) (11)	38	2000	0	4,928	*
David B. Warner Director (12)	Financial Advisor (13)	56	2002	0	0	*
Dianne Kim Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer, Pacific Union Bank (14)	41	n/a	3,903	1,626	*
Dong Il Kim Senior Vice President and Chief Credit Officer	Senior Vice President and Chief Credit Officer, Pacific Union Bank (15)	49	n/a	616	1,626	*
Owen C. Clayburgh Senior Vice President and Chief Risk Officer	Senior Vice President and Chief Risk Officer, Pacific Union Bank (16)	38	n/a	0	0	*
Directors and				98,032	35,284	*

Executive Officers as a Group  
 (13 persons) (17)  
 </TABLE>

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 2002 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 2002 by Section 16(a) of the Securities Exchange Act of 1934, as amended, except Mr. Dalshaug, who inadvertently failed to timely file a Form F-8 with respect to two small transactions in April 2002.

(Certain footnotes appear on previous page.)

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

(12) Mr. Warner has been selected by the Board of Directors to serve as Interim Chief Executive Officer effective May 22, 2003, subject to non-disapproval by the FDIC.

(13) Mr. Warner 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.

(14) 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.

(15) 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.

(16) Mr. Clayburgh was appointed Senior Vice President and Chief Risk Officer of the Bank in May 2002. Previously, he served as Vice President and Risk Manager of Pacific Century Bank in Signal Hill, California from September 2001 to December 2001; and as First Vice President and Risk Manager of that bank from May 1998 to September 2001.

(17) Includes one director who resigned on April 17, 2003.

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, 2002, whose total salary and bonus for the fiscal year ended December 31, 2002, exceeded \$100,000 (the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION	ALL OTHER COMPENSATION (19)
		SALARY	BONUS	OTHER	STOCK OPTIONS GRANTED (NUMBER OF SHARES) (18)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Woon Seok Hyun	2002	\$149,852 (20)	\$ 0	\$44,250 (22)	0	\$2,329
President and Chief Executive Officer(5)	2001	82,967 (21)	0	25,375 (22)	36,966	0
Dianne Kim	2002	113,515 (20)	14,533 (24)	0	2,200	5,297
Senior Vice President	2001	109,144 (20)	14,050	0	0	1,756
and Chief Financial Officer	2000	66,657 (23)	15,000	0	4,066	0
Dong Il Kim	2002	101,070 (20)	13,458 (24)	0	2,200	4,662
Senior Vice President	2001	96,118 (20)	12,300	0	0	3,958
and Chief Credit Officer	2000	80,708 (20)	11,350	0	4,066	3,576

</TABLE>

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, 2002, the Bank had options

- -----  
(Certain footnotes appear on page 64.)

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

(19) 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 15% or \$30,000 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.

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

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

(22) Consists of the reported taxable value of the use of both a Bank-owned automobile (\$8,250 and \$2,875 in 2002 and 2001, respectively) and a personal residence (\$36,000 and \$22,500 in 2002 and 2001, respectively).

(23) Represents salary paid from May 15, 2000 (commencement of Ms. Kim's employment) through December 31, 2000.

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

(25) Exercise 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.

outstanding to purchase a total of 312,239 shares(18) of its Common Stock under the Plan, with an average exercise price of \$10.83 per share(18) with respect to all such options. As of that same date, the fair market value of the Bank's common stock was \$11.51 per share.

The following table furnishes certain information regarding stock options granted to the Named Executive Officers during 2002:

<TABLE>  
<CAPTION>

NAME	NUMBER OF OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES DURING PERIOD	EXERCISE OR BASE PRICE	EXPIRATION DATE	FAIR VALUE (26)
----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Woon Seok Hyun	0	n/a	n/a	n/a	n/a
Dianne Kim	2,200(27)	1.80%	\$17.38	9/28/07	\$7,128
Dong Il Kim	2,200(27)	1.80%	17.38	9/28/07	7,128

</TABLE>

No options were exercised by the Named Executive Officers during 2002.

The following information is furnished with respect to stock options held by the Named Executive Officers at December 31, 2002:

<TABLE>  
<CAPTION>

NAME	NUMBER OF UNEXERCISED OPTIONS AT DECEMBER 31, 2002(28)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2002(29)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>
Woon Seok Hyun	7,392	29,568	\$9,942	\$39,771
Dianne Kim	1,626	4,640	8,193	23,380
Dong Il Kim	1,626	4,640	8,193	23,380

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 received \$2,500 per month, for their service on the Board of Directors during 2002, 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 also received \$500 per meeting for attendance at Loan Committee meetings (\$250 if by teleconference), and \$300 per meeting for Audit, Compensation, CRA, Executive and Strategic Committee meetings (\$150 if by teleconference), except for the Chairman of the Audit and Strategic Committees who received \$500 per Audit and Strategic Committee meeting (\$250 if by teleconference). In addition, during 2002 the Bank paid a total of \$26,275 to Allan E. Dalshaug, Chairman of the Board, on an hourly compensation basis, for assisting management in constructing a strategic plan.

During 2002 directors Sun Kee Kim, Yong Koo Kim and David B. Warner were each granted a stock option to purchase 10,000 shares of common stock, and Oh Hoon Kwon was granted a stock option to purchase 15,000 shares of common stock, all at exercise prices of \$17.38 per share, expiring in June 2012. 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 2002. As of December 31, 2002 directors Sun Kee Kim, Yong Koo Kim, Oh Hoon Kwon and David B. Warner held the outstanding options described in the first sentence of this paragraph, none of which were exercisable; and directors Allan E. Dalshaug, Donald D. Byun, Kraig A. Kupiec, and Yoon Soo Kim held outstanding stock options to purchase 12,320 shares(28) each of Common Stock, all with expiration dates in 2010, at exercise prices of \$7.56 per share(28) (\$6.37 per share(28) in the case of Mr. Dalshaug). As of that same date, the fair market value of the Bank's Common Stock was \$11.51 per share. As of December 31, 2002, all of the options to the four directors described in the preceding sentence were exercisable as to forty percent (40%) of such shares. Information concerning stock options held by directors who are also Named Executive Officers is set forth above under "Stock Options."

(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 62%, risk-free interest rate of 4.21% and expected life of five years.

(27) These options vest at the rate of 20% per year commencing one year from the date of grant.

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

(29) Represents the excess of the aggregate fair market value over the aggregate exercise price of the shares at December 31, 2002.

PERFORMANCE GRAPH

The graph on the following page 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, 2002. The graph assumes an initial investment of \$100 and reinvestment of dividends. The graph is not necessarily indicative of future price performance.

TOTAL RETURN PERFORMANCE

[TOTAL RETURN PERFORMANCE GRAPH]

<TABLE>  
<CAPTION>

INDEX	PERIOD ENDING					
	08/01/00	12/31/00	06/30/01	12/31/01	06/30/02	12/31/02
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Pacific Union Bank	100.00	124.19	170.32	149.03	277.88	182.97
NASDAQ - Total US*	100.00	66.65	58.62	52.88	39.94	36.55
SNL \$500M-\$1B Bank Index	100.00	107.25	132.80	139.14	178.57	177.65

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

#### BOARD OF DIRECTORS' COMPENSATION COMMITTEE REPORT

The Board of Directors' Compensation Committee is responsible for administering the compensation program for the Senior Executive Officers of the Bank (Chief Executive Officer, Executive Vice President, Chief Operating Officer, 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 Compensation Committee reviews compensation of the 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 Senior Executive Officers.

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

#### 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 (other than the CEO, who is usually a retired officer of KEB) return to KEB.

Of the six Senior Executive Officers who served during 2002, three (counting the current and former Chief Operating Officer as one) are current or retired KEB officers on such assignments. In 2002, they were Woon Seok Hyun, President and Chief Executive Officer who has served from May 15, 2001 to the present; Moo Yeul Shin, Executive Vice President (who resigned as of February 15, 2002 and whose position was eliminated after his resignation); Dong Hwan Heo, Senior Vice President and Chief Operating Officer (who resigned as of March 15, 2002), and his successor, Oh Hoon Kwon, Senior Vice President and Chief Operating Officer.

Under the assignment arrangement, the three KEB officers were compensated based on criteria established by KEB for its personnel in the United States. Compensation for these officers was determined by KEB.

The Compensation Committee recognizes that the compensation of KEB officers on assignment with Pacific Union Bank will continue to be based on factors established by or affecting KEB. Thus, disparity may exist between their rate of compensation and those of comparable local competitive bank executive officers.

#### OTHER SENIOR EXECUTIVE OFFICERS

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

As discussed previously, the 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. His compensation was set by KEB under criteria discussed previously. Consequently, the Board of Directors established no other factors or criteria upon which their 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 the Bank's Chief Executive Officer compensation appears to be somewhat below market. The Committee will continue to

discuss with KEB ways to make the Chief Executive Officer compensation more competitive with local Chief Executive Officer compensation levels, and will continue to review short term as well as long term bench markings for Chief Executive Officer compensation. Mr. Hyun has recently announced his intention to resign as President and Chief Executive Officer effective May 22, 2003, and the Board of Directors has formed a Search Committee to locate a qualified replacement for Mr. Hyun with extensive experience in American community banking. Until the Search Committee finds Mr. Hyun's replacement, one of the independent directors, Mr. David Warner, has been selected to serve as the Interim Chief Executive Officer subject to non-disapproval by the FDIC.

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."

Compensation Committee:

Charles C. Kwak, Chairman (30)  
Allan E. Dalshaug  
Yoon Soo Kim

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, Dr. Yoon Soo Kim is currently an officer and employee of KEB, but not of the Bank. No other members of the Committee have had any employment relationship with KEB within the past 20 years.

- -----

(30) Mr. Kwak resigned on April 17, 2003 and was replaced by Mr. Donald D. Byun. As the other two members of the Compensation Committee will not be standing for re-election to the Board of Directors, their replacements will be appointed at the organizational meeting of the Bank's Board of Directors (immediately following the Annual Meeting of Shareholders), at which meeting committee assignments are made every year.

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, 2003, regarding these shareholders:

<TABLE>  
<CAPTION>

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
<S> Common Stock	<C> Korea Exchange Bank 181 Ulchiro 2-ga Chung-gu Seoul, Korea	<C> 6,624,052	<C> 62.36%
Common Stock	Wellington Management Company, LLP 75 State Street Boston, Massachusetts 02109	718,392(31)	6.76%

</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, 2002, 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. 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-14(c) and 15-d-14(c) as of a date within 90 days of the filing date of 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 or in other factors that could significantly affect the Bank's internal controls subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such controls requiring corrective actions. As a result, no corrective actions were taken.

(31) Represents shares reported on a Schedule 13G by Wellington, an investment adviser as defined in applicable SEC rules. Clients of Wellington have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from, the sale of the stock, but none of such clients is known to have a beneficial ownership interest in more than 5% of the Bank's Common Stock. Wellington has shared dispositive power with respect to all 718,392 shares and shared voting power with respect to 138,361 of such shares.

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 applicable or the information is presented in the Bank's financial statements or related notes.

(c) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during last quarter of the Bank's fiscal year ended December 31, 2002.

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: April 17, 2003

PACIFIC UNION BANK,  
a California corporation

By: /s/ Diane 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/ Allen E. Dalshaug ----- Allan E. Dalshaug	<C> Chairman of the Board	<C> April 17, 2003
/s/ Woon Seok Hyun	President, Chief Executive	April 17, 2003

----- Officer and Director		
Woon Seok Hyun		
/s/ Oh Hoon Kwon	Senior Vice President, Chief	April 17, 2003
----- Oh Hoon Kwon	Operating Officer and Director	
/s/ Donald Byun	Director	April 17, 2003
----- Donald Byun		
/s/ Yong Koo Kim	Director	April 17, 2003
----- Yong Koo Kim		
/s/ Yoon Soo Kim	Director	April 17, 2003
----- Yoon Soo Kim		
/s/ Kraig Kupiec	Director	April 17, 2003
----- Kraig Kupiec		
/s/ Sun Kee Kim	Director	April 17, 2003
----- Sun Kee Kim		
/s/ David Warner Jr.	Director	April 17, 2003
----- David Warner Jr.		
/s/ Dianne Kim	Senior Vice President	April 17, 2003
----- Dianne Kim	and Chief Financial Officer	

</TABLE>

INDEX TO EXHIBITS

<TABLE> <CAPTION> EXHIBIT TABLE			EXHIBIT TABLE
REFERENCE NUMBER	ITEM		NUMBER
-----	----		-----
<S>	<C>		<C>
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).....		
11.1	Statement Regarding Computation of Earnings Per Share(4).....		
12.1	Subsidiary of Registrant(1).....		
99.1	Certification of Chief Executive Officer and Chief Financial Officer		

</TABLE>

-----  
(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 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.

=====

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20006

-----

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

FDIC Certificate Number 21765

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA

95-2888370

State or other jurisdiction of  
incorporation or organization

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

(Former name, former address and former fiscal year, if changed since last  
report): Not applicable

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      X      No

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

YES      [ ]      NO

Common stock, \$6.00 par value, 10,652,452 shares outstanding as of May  
9, 2003.

=====

PACIFIC UNION BANK

TABLE OF CONTENTS

<TABLE>  
<CAPTION>

<S>  
PART I - FINANCIAL INFORMATION

Page No.  
<C>

Item 1. Financial Statements (Unaudited)

Balance Sheets -  
March 31, 2003 and December 31, 2002

Statements of Operations -  
Three months ended March 31, 2003 and 2002

Statements of Cash Flows -  
Three months ended March 31, 2003 and 2002

Notes to Financial Statements

Item 2. Management's Discussion and Analysis of  
Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Item 4. Controls and Procedures

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Changes in Securities

Item 3. Defaults upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

Signatures

Certifications

</TABLE>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PACIFIC UNION BANK  
Balance Sheets  
As of March 31, 2003 and December 31, 2002

<TABLE>  
<CAPTION>

	(Unaudited) MARCH 31, 2003	(Audited) DECEMBER
31,2002	-----	-----
---		
<S>	<C>	<C>
ASSETS		
Cash and due from banks - demand	\$ 30,993,172	\$
24,054,519		
Federal funds sold	8,200,000	
62,500,000		
Due from banks - interest-bearing	230,367	
210,654		
Federal Home Loan Bank Stock	3,584,800	
3,537,800		
Securities held-to-maturity, at amortized cost (fair value of		
\$77,403,704 at March 31, 2003 and \$90,798,966 at December		
31, 2002)	76,164,366	
89,313,683		
Securities available-for-sale, at fair value	79,489,227	
64,701,421		
Loans receivable	732,079,225	
683,131,191		
Less allowance for loan losses	(9,304,331)	
(8,872,995)		
---	-----	-----
Net loans receivable	722,774,894	
674,258,196		
---	-----	-----
Customers' acceptance liabilities	1,147,762	
657,760		
Bank premises and equipment, net	6,320,172	
6,610,142		
Accrued interest receivable	3,280,869	
3,404,574		
Deferred tax assets	4,340,182	
4,663,046		
Income taxes receivable	1,116,038	
1,116,038		
Other assets	2,587,758	
1,967,404		
---	-----	-----
Total assets	\$ 940,229,607	\$
936,995,237		
	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits:

Demand, non-interest-bearing	\$	240,025,932	\$
223,377,195			
Demand, interest-bearing		7,624,268	
7,602,024			
Money market and savings		146,995,051	
170,486,917			
Time certificates of deposit:			
Less than \$100,000		97,375,927	
99,876,831			
\$100,000 or more		267,719,630	
258,652,585			
---		-----	-----
Total deposits		759,740,808	
759,995,552			
Other borrowed funds		70,000,000	
70,000,000			
Acceptance liabilities		1,147,762	
657,760			
Accrued interest payable		3,106,403	
3,140,064			
Other liabilities		2,802,243	
2,325,902			
---		-----	-----
Total liabilities		836,797,216	
836,119,278			
---		-----	-----
Stockholders' equity:			
Common stock, \$6 par value. Authorized 30,000,000 shares;			
issued and outstanding 10,621,554 shares at March 31,			
2003 and December 31, 2002		63,724,507	
63,724,507			
Capital surplus		22,174,825	
22,174,825			
Retained earnings		17,004,601	
14,283,984			
Accumulated other comprehensive income - unrealized gain			
on securities available-for-sale - net of taxes		528,459	
692,643			
---		-----	-----
Total stockholders' equity		103,432,391	
100,875,959			
---		-----	-----
Total liabilities and stockholders' equity	\$	940,229,607	\$
936,995,237			
=====		=====	

</TABLE>

See accompanying notes to unaudited financial statements.

PACIFIC UNION BANK  
Statements of Operations  
For the Three Months Ended March 31, 2003 and 2002  
(Unaudited)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	-----	-----
	<C>	<C>
<S>		
Interest income:		
Interest and fees on loans	\$ 9,938,446	\$ 8,746,100
Dividend on Federal Home Loan Bank stock	43,120	22,826
Interest on securities held-to-maturity	892,385	--
Interest on securities available-for-sale	673,373	1,813,513
Interest on Federal funds sold	271,524	285,500
Other interest income	9,425	4,076
	-----	-----
Total interest income	11,828,273	10,872,015
Interest expense:		
Demand - interest bearing	6,268	9,537
Savings and money market	578,448	564,327
Time certificates of deposit:		
Less than \$100,000	720,352	811,325
\$100,000 or more	1,409,319	1,572,954
Other borrowings	598,323	--

Total interest expense	3,312,711	2,958,143
Net interest income before provision for loan losses	8,515,563	7,913,872
Provision for loan losses	600,000	100,000
Net interest income after provision for loan losses	7,915,563	7,813,873
Other income:		
Service charges on deposit accounts	1,640,115	1,598,628
Remittance fees	215,806	213,488
Letter of credit related fees	191,807	193,328
Gain on sale of loans	428,992	--
Other operating income	461,406	532,749
Total other income	2,938,127	2,538,193
Other expenses:		
Salaries and employee benefits	3,231,985	2,892,861
Security guards	218,538	234,204
Net occupancy expense	697,098	721,657
Equipment expense	339,747	350,693
Data processing	471,381	448,148
Net other real estate owned expense	--	41
Office supplies	76,102	115,351
Legal and professional	178,257	417,921
Advertising and public relations	152,601	127,889
Other operating expenses	918,364	743,558
Total other expenses	6,284,072	6,052,323
Income before income taxes	4,569,617	4,299,742
Income taxes	1,849,000	1,719,000
Net income	\$ 2,720,617	\$ 2,580,742
Net income per share:		
Basic	\$ 0.26	\$ 0.24
Diluted	\$ 0.25	\$ 0.24
Weighted-average common shares outstanding		
Basic	10,621,554	10,607,426
Diluted	10,683,470	10,681,124

</TABLE>

See accompanying notes to financial statements

PACIFIC UNION BANK  
Statements of Cash Flows  
For the Three Months Ended March 31, 2003 and 2002  
(Unaudited)

	MARCH 31, 2003	MARCH 2002
	-----	-----
31,		
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 2,720,617	\$
2,580,742		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expenses	305,570	
345,341		
Provision for loan losses	600,000	
100,000		
Accretion of discount and amortization of premium on securities held-to-maturity, net	156,511	
--		
Accretion of discount and amortization of premium on securities available-for-sale, net	(283,382)	
46,708		
Net loss (gain) on disposal of Bank premises and equipment	9,943	
(7,100)		
Gain on sale of loans	(428,992)	
--		
Origination of loans held for sale	--	
Proceeds from sale of loans held for sale	--	
Decrease (Increase) in accrued interest receivable	123,705	
(322,626)		

Decrease in deferred income taxes	442,000	
945,001		
Stock dividend on Federal Home Loan Bank stock	(47,000)	
(22,600)		
Increase in other assets	(620,354)	
(134,640)		
Decrease in accrued interest payable	(33,661)	
(1,926,489)		
Increase in other liabilities	476,341	
220,573		
-----	-----	-----
Net cash provided by operating activities	3,421,298	
1,824,910		
-----	-----	-----
Cash flows from investing activities:		
Proceeds from maturities and redemptions of securities held-to-maturity	12,992,806	
--		
Proceeds from maturities and redemptions of securities available-for-sale	19,870,481	
16,356,355		
Purchase of securities available-for-sale	(34,658,226)	
--		
Proceeds from recoveries of written-off loans	12,321	
28,207		
Net increase in loans	(48,700,027)	
(4,650,770)		
Purchases of Bank premises and equipment	(25,543)	
(223,326)		
Proceeds from sale of Bank premises and equipment	--	
7,100		
-----	-----	-----
Net cash (used in) provided by investing activities	(50,508,188)	
11,517,566		
-----	-----	-----
Cash flows from financing activities:		
Net increase (decrease) in demand deposits, non-interest-bearing	16,648,737	
(992,094)		
Net increase in demand deposits, interest-bearing	22,244	
1,107,974		
Net decrease in money market and savings deposits	(23,491,866)	
(9,785,573)		
Net increase (decrease) in time certificates of deposit	6,566,141	
(12,886,956)		
Proceeds from exercise of stock options	--	
10,835		
-----	-----	-----
Net cash used in financing activities	(254,744)	
(22,545,814)		
-----	-----	-----
Net decrease in cash and cash equivalents	(47,341,634)	
(9,203,338)		
Cash and cash equivalents at beginning of period	86,765,173	
68,073,953		
-----	-----	-----
Cash and cash equivalents at end of period	\$ 39,423,539	\$
58,870,615		
=====	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 3,346,372	\$
4,884,632		
Income taxes	\$ 1,000,000	\$
700,000		
=====	=====	=====

</TABLE>

See accompanying notes to unaudited financial statements.

PACIFIC UNION BANK  
NOTES TO FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Pacific Union Bank ("Bank") have been prepared pursuant to the rules and regulations of

the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

## 2. COMPREHENSIVE INCOME

Comprehensive income consists of net income and net unrealized gain (loss) on securities available-for-sale. The comprehensive income amounted to \$2.6 million which included net income of \$2.7 million and decrease in unrealized gain of \$164,000, which is net of the tax effect of \$119,000 for the three months ended March 31, 2003.

## 3. EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted per share computation for the three months ended March 31, 2003 and 2002.

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
2003			
- - - - -			
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$2,720,617	10,621,554	\$ 0.26
Effect of Dilutive Securities -			
Options	--	61,916	(0.01)
Diluted EPS -			
Income available to common stockholders	\$2,720,617	10,683,470	\$ 0.25

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
2002			
- - - - -			
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$2,580,742	10,607,426	\$ 0.24
Effect of Dilutive Securities -			
Options	--	73,698	--
Diluted EPS -			
Income available to common stockholders	\$2,580,742	10,681,124	\$ 0.24

## 4. CAPITAL TRANSACTIONS

The Bank's outstanding number of shares was 10,621,554 at March 31, 2003. The Bank has declared a quarterly cash dividend of \$0.05 per common share on April 24, 2003. The cash dividend will be paid on or about May 27, 2003 to all shareholders of record as of May 15, 2003.

## 5. 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 three months ended March 31, 2003 and March 31, 2002 would have been reduced to the pro forma indicated below.

	MARCH 31, 2003	MARCH 31, 2002
<S>	<C>	<C>
Net Income:		
As reported	\$ 2,720,617	\$ 2,580,742
Pro-forma	2,706,718	2,568,629
Earnings per share:		
As reported:		
Basic	\$ 0.26	\$ 0.24
Diluted	0.25	0.24

Pro-forma:				
Basic	\$	0.25	\$	0.24
Diluted		0.25		0.24

</TABLE>

## 6. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2002, Statement of Financial Accounting Standards No. 145, Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections (SFAS No. 145), was issued. SFAS No. 145 will require gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under SFAS No. 4. Extraordinary treatment will no longer be permitted for certain extinguishments considered to be part of a company's risk management strategy. SFAS 145 also amends SFAS No. 13 to require certain modifications to capital leases be treated as a sale-leaseback and modifies the accounting for sub-leases when the original lessee remains a secondary obligor (or guarantor). SFAS No. 145 is effective for financial statements issued after May 15, 2002, and with respect to the impact of the reporting requirements of changes made to SFAS No. 4 for fiscal years beginning after May 15, 2002. The adoption of SFAS No. 145 did not have any impact on its financial condition or results of operations.

In November 2002, FASB Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34, (FIN No. 45) was issued. FIN No. 45 clarifies requirements relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. FIN No. 45 requires that upon issuance of a guarantee, companies recognize a liability for the fair value of the obligation it assumes under that guarantee. The Company has adopted the annual disclosure provisions of FIN No. 45 in the year ended December 31, 2002 consolidated financial statements. The adoption of FIN 45 did not have a material impact on the Bank's financial statements.

In October 2002, Statement of Financial Accounting No. 147, Acquisitions of Certain Financial Institutions (SFAS No. 147). SFAS No. 147 applies to all acquisitions of financial institutions except those between mutual enterprises. This Statement amends FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that Statement 144 requires for other long-lived assets that are held and used. The provisions of this Statement relating to the application of the purchase method of accounting, was effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions of this Statement relating to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets were effective on October 1, 2002. Transition provisions for previously recognized unidentifiable intangible assets in were effective on October 1, 2002, with earlier application permitted. The adoption of FASB No. 147 did not have a material effect on the financial statements.

In December 2002, Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure-An Amendment of SFAS No. 123 (SFAS No. 148) was issued. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation ( SFAS No. 123 ), to provide alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in not only annual, but also interim financial statements about the effect the fair value method would have had on reported results. The transition and annual disclosure requirements of SFAS No. 148 are effective for fiscal years ending after December 15, 2002. The interim disclosure requirements are effective for interim periods beginning after December 15, 2002, and the Bank has adopted those disclosure requirements.

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 addresses consolidation by business enterprises of variable interest entities and clarifies 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 applies 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. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Certain disclosures are

effective immediately. The adoption of FIN No. 46 is not expected to have a material effect on the financial statements.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis includes forward-looking statements regarding management's beliefs, projections and assumptions concerning future results and events. When used the words "anticipate", "believe", "estimate", "expect", and "intend" and words or phrases of similar meanings as they relate to the Bank or the Bank's management, are intended to identify forward-looking statements. These statements are not guarantees and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Bank to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, governmental policies and actions of regulatory agencies, costs associated with the Bank's future expansion, competition from other commercial banks and other competition and market and general economic factors. Given these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements, which speak as of the date hereof. All forward-looking statements contained in this Form 10-Q are qualified in their entirety by this cautionary statement.

The following discussion and analysis is intended to provide details of the results of operations of the Bank for the three months ended March 31, 2003 and 2002 and financial condition at March 31, 2003 and at December 31, 2002. The following discussion should be read in conjunction with Annual Report on Form 10-K/A for the year ended December 31, 2002 filed with the Federal Deposit Insurance Corporation in particular as it relates to the critical accounting policies as discussed in item 14 of the Form 10-K/A.

### RESULTS OF OPERATIONS

Net income for the quarter ended March 31, 2003 increased by \$140,000 or 5.42% to \$2.7 million compared to \$2.6 million for the same period in 2002. Diluted earnings per share for the first quarter of 2003 was \$0.25, as compared to \$0.24 for the same period of 2002. Income before income tax expense amounted to \$4.6 million for the first quarter of 2003, an increase of \$270,000 or 6.28% compared to \$4.3 million for the same quarter a year ago.

The annualized return on average assets ("ROA") and return on average stockholders' equity ("ROE") were 1.11% and 10.71%, respectively, for the first quarter of 2003, compared to 1.29% and 11.53%, respectively, for the same quarter of 2002.

### NET INTEREST INCOME

The Bank's primary source of income is net interest income, which is the difference between interest income from interest-bearing assets and interest paid on interest-bearing liabilities, such as deposits and other borrowings used to fund those assets. The Bank's net interest income is affected by changes in the volume of interest-earning assets and interest-bearing liabilities as well as by changes in yield earned on interest-earning assets and rates paid on interest-bearing liabilities. The Bank also generates non-interest income, including the service charges on deposit accounts and other transactional fees. The Bank's non-interest expenses consist primarily of personnel, occupancy and equipment expense and other operating expenses. The Bank's results of operations are affected by its provision for loan losses and may also

be significantly affected by other factors including general economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory agencies.

Net interest income before the provision for the loan losses increased by \$602,000 or 7.60% to \$8.5 million in the first quarter of 2003, compared to \$7.9 million in the same quarter of 2002. Total interest income increased by \$956,000 or 8.80% to \$11.8 million in the first quarter of 2003, compared to \$10.9 million in the same quarter of 2002 primarily due to an increase of \$1.2 million in interest and fees on loans and partially offset by a \$248,000 decrease in interest on investment securities.

The increase in interest income is contributed by the average volume increase of \$174.9 million in interest earning-assets to \$933.3 million in the first quarter of 2003 from \$758.4 million in the same quarter of 2002 despite the decrease in yield on average interest earning-assets by 66 basis points compared to the same quarter of 2002. The yield on average interest earning-assets was 5.07% in the first quarter of 2003 compared to 5.73% in the same quarter of 2002. Average net loans increased \$133.8 million or 24.0% to \$691.0 million in the first quarter of 2003 compared to \$557.2 million for the corresponding quarter of 2002. Offsetting the increase in average net loans, the yield on average loans decreased by 53 basis points to 5.75% in the first quarter of 2003 from 6.28% in the same quarter of 2002, which negatively

affected the loan interest income. The decrease in the interest income of Federal funds sold and investment securities was mainly due to the decrease in yields in the first quarter of 2003 compared with the same quarter of 2002. The average Federal funds sold increased \$19.9 million to \$88.4 million in the first quarter of 2003 compared with \$68.5 million for the corresponding quarter of 2002. The yield on average Federal funds sold dropped 44 basis points to 1.23% compared to 1.67% for the same quarter of 2002. Average investment securities increased \$16.2 million to \$146.3 million in the first quarter of 2003 compared with \$130.1 million for the corresponding quarter of 2002. The yield on average investment securities for the first quarter of 2003 was 4.28% which was a decrease of 130 basis points from 5.58% for the correspondent quarter of 2002.

Total interest expense increased by \$355,000 or 11.99% to \$3.3 million for the first quarter of 2003 compared to \$3.0 million for the same quarter of 2002. The increase is mainly due to an increased interest expense of \$598,000 on \$70.0 million in advances from Federal Home Loan Bank in the first quarter of 2003 compared to zero for the correspondent quarter of 2002. The interest expense on time certificates of deposit of \$100,000 or more decreased \$164,000 or 10.40% to \$1.4 million in the first quarter of 2003 compared to \$1.6 million for the same quarter of 2002. Average time certificates of deposit of \$100,000 or more increased \$15.2 million or 6.36% to \$254.8 million in the first quarter of 2003 compared with \$239.6 million for the corresponding period of 2002. The cost on average time certificates of deposit of \$100,000 or more decreased 42 basis points to 2.24% in the first quarter of 2003 from 2.66% in the corresponding quarter of 2002. The cost of funds decreased 16 basis points to 1.54% in the first quarter of 2003 compared with 1.70% in the same quarter of 2002.

#### NET INTEREST MARGIN

Net interest margin decreased by 52 basis points or 12.47% to 3.65% for the first quarter of 2003 compared to 4.17% for the corresponding period of 2002. The decrease in net interest margin was primarily attributable to the decrease in the average interest-earning assets yield of 66 basis points to 5.07% in the first quarter of 2003 compared with 5.73% in the same quarter of 2002. The decrease in the average interest-earning assets yield was offset by the cost of funds decrease of 16 basis points to 1.54% in the first quarter of 2003 from 1.70% in the corresponding quarter of 2002. Approximately 80% of the loan portfolio has yields based upon the prime rate which automatically reprice based upon changes in the prime rate. In a declining rate environment, the Bank's net interest rate margin decreases as the interest-earning assets are repriced at a faster pace than the interest-bearing liabilities.

The following table presents condensed average balance sheet information for the Bank, together with interest rates earned and paid on the various sources and uses of funds for each of the periods indicated:

#### DISTRIBUTION, YIELD AND RATE ANALYSIS OF NET INCOME

	For the Three Months Ended				For the Three Months Ended		
	March 31, 2003				March 31, 2002		
% to	Average	Income/	Average	% to	Average	Income/	Average
Earning	Balance	Expense	Rate/	Earning	Balance	Expense	Rate/
Assets			Yield(30)	Assets			Yield(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
ASSETS:							
Interest-earning assets:							
Loans, net(31)	\$690,989	\$ 9,938	5.75%	74.03%	\$557,226	\$ 8,746	6.28%
73.47%							
Federal Home Loan Bank stock	3,538	43	4.86	0.38	1,512	23	6.08
0.20							
Taxable investment securities(32)							
U.S. Treasury Securities	2,341	18	3.08	0.25	1,508	22	5.84
0.20							
U.S. Governmental Agencies	144,009	1,548	4.30	15.43	128,432	1,790	5.58
16.93							
Tax-exempt Investment Securities:							
State & Municipal Obligation	-	-	-	-	200	2	3.85
0.03							
Federal funds sold	88,359	272	1.23	9.47	68,462	285	1.67
9.03							

Interest-earning deposits 0.14	4,098	9	0.89	0.44	1,061	4	1.53
-----	-----	-----	-----	-----	-----	-----	-----
Total interest-earning assets 100.00%	933,334	11,828	5.07%	100.00%	758,401	10,872	5.73%
-----	-----	-----	-----	-----	-----	-----	-----
Non-interest-earning assets:							
Cash and due from banks	23,940				25,024		
Premises and equipment, net	6,502				9,311		
Other real estate owned	-				-		
Customers' acceptance liabilities	595				583		
Accrued interest receivable	3,208				3,394		
Other assets	9,989				4,260		
-----	-----	-----	-----	-----	-----	-----	-----
Total non-interest-earning assets	44,234				42,572		
-----	-----	-----	-----	-----	-----	-----	-----
Total assets	\$977,568				\$800,973		
=====	=====	=====	=====	=====	=====	=====	=====

LIABILITIES AND STOCKHOLDERS'

EQUITY:

Interest-bearing liabilities:

Deposits:

Money market	\$156,766	\$ 551	1.43%		\$113,589	\$ 486	1.74%
Super NOW	7,718	6	0.32		7,116	10	0.57
Savings	45,373	27	0.24		42,413	78	0.75
Time certificates of deposit of \$100,000 or more	254,799	1,409	2.24		239,566	1,573	2.66
Other time certificates of deposit	107,571	721	2.72		103,606	811	3.17
Other borrowings	70,031	598	3.42		-	-	-
-----	-----	-----	-----	-----	-----	-----	-----
Total interest-bearing liabilities	642,258	3,312	2.09%		506,290	2,958	2.37%
-----	-----	-----	-----	-----	-----	-----	-----

Non-interest-bearing liabilities:

Demand deposits	227,204				198,903		
Other liabilities	6,465				6,241		
-----	-----	-----	-----	-----	-----	-----	-----
Total non-interest-bearing liabilities	233,669		1.54%		205,144		1.70%
-----	-----	-----	-----	-----	-----	-----	-----

Stockholders' equity

	101,641				89,539		
-----	-----	-----	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity	977,568				800,973		
=====	=====	=====	=====	=====	=====	=====	=====

Net interest income		8,516				7,914	
		=====				=====	
Net interest spread(33)			2.98%				3.36%
			=====				=====
Annualized net interest margin(34)			3.65%				4.17%
			=====				=====
Ratio of average interest-bearing assets to average interest-bearing liabilities			145.32%				149.80%
			=====				=====

</TABLE>

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:

(30) Average rates/yields for these periods have been annualized.

(31) Loan includes loans held for sale and 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 \$1.4 million and \$1.1 million at March 31, 2003 and 2002.

(32) Yields on tax-exempt income have not been computed on a tax equivalent basis because tax-exempt securities are minimal.

(33) Represents the average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.

(34) Represents net interest income as a percentage of average interest-earning

assets.

<TABLE>  
<CAPTION>

	FOR THE THREE MONTH ENDED MARCH 31, 2003 VS. 2002		
	INCREASES (DECREASES) DUE TO CHANGE IN		
	VOLUME	RATE (1)	TOTAL
	-----	-----	-----
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
<b>EARNING ASSETS:</b>			
<b>INTEREST INCOME:</b>			
Loans, net (2) .....	\$ 1,969	(777)	1,192
Federal Home Loan Bank stock .....	25	(5)	20
Taxable investment securities:			
U. S. Treasury securities .....	9	(13)	(4)
U. S. Government agencies .....	200	(442)	(242)
Tax-exempt securities:(3)			
State and Municipal Obligation..	(2)	-	(2)
Federal funds sold .....	71	(84)	(13)
Interest-earning deposits .....	7	(2)	5
	-----	-----	-----
Total net change			
in interest income .....	\$ 2,279	(\$1,323)	\$ 956
	=====	=====	=====
<b>DEPOSITS AND BORROWED FUNDS:</b>			
<b>INTEREST EXPENSE:</b>			
Money market deposits .....	162	(97)	65
Super NOW .....	1	(4)	(3)
Savings deposits .....	5	(56)	(51)
Time certificates of deposit in			
denominations of \$100,000			
or more .....	95	(260)	(165)
Other time deposits .....	30	(120)	(90)
Other borrowings .....	598	(0)	598
	-----	-----	-----
Total net change			
in interest expense .....	891	(537)	354
	-----	-----	-----
Change in net interest income .....	\$ 1,388	(\$ 786)	\$ 602
	=====	=====	=====

</TABLE>

PROVISION FOR LOAN LOSSES

Provision for loan losses are made monthly, in anticipation of credit risks. 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.

For the first quarter of 2003 the provision for loan losses amounted to \$600,000 compared with \$100,000 in the corresponding period of 2002. The increase was mainly attributable to a strong loan growth in the first quarter of 2003. On a quarterly basis, management performs an analysis of the adequacy of the allowance for loan losses. The results of this analysis for the quarter ended March 31, 2003 determined that the allowance was adequate to cover losses inherent in the portfolio. The procedures for monitoring the adequacy of the allowance, as well as detailed information concerning the allowance itself, are included below under "Allowance for loan losses."

NON-INTEREST INCOME

Non-interest income increased \$400,000 or 15.76% to \$2.9 million in the first quarter of 2003 compared to \$2.5 million in the same quarter of 2002. The increase resulted mainly from the gain of \$429,000 on the sale of SBA loans. Management expects to continue to recognize gains from the sale of SBA loans. Offsetting the increase, other operating income decreased by \$72,000. The other operating income consists of credit card related fees, mortgage loan related fees, merchant discount fees, remittance and cable fees and other various fees.

The following table sets forth the various components of the Bank's non-interest income for the periods indicated:

-----  
(1) Rates for these periods on which calculations are based have been annualized.

- (2) Loan fees net of direct cost have been included in the calculation of interest income. Loan fees were \$189,000 and \$134,000 for the three months ended March 31, 2003 and 2002, respectively. Loans are net of the allowance for loan losses, deferred fees and related direct costs.
- (3) Yields on tax-exempt income have not been computed on a tax equivalent basis, because the percentage of tax-exempt securities is minimal.

NON-INTEREST INCOME  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Three Months Ended		Increase (Decrease)	
	03/31/03	03/31/02	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Service charges on deposit accounts	\$1,640	\$1,599	\$ 41	2.56 %
Remittance fees	216	213	3	1.41
Letter of credit related fees	192	193	(1)	(1.04)
Gain on sale of loans	429	--	429	100.00
Other operating income	461	533	(72)	(13.32)
	-----	-----	-----	-----
Total	\$2,938	\$2,538	\$ 400	15.76 %
	=====	=====	=====	=====

</TABLE>

NON-INTEREST EXPENSE

Non-interest expense increased by \$232,000 or 3.83% to \$6.3 million in the first quarter of 2003, compared to \$6.1 million in the corresponding quarter of 2002. The increase is mainly attributable to an increase of \$339,000 in salaries and employee benefits offset by a decrease of \$240,000 in legal and professional expenses. An increase in salaries and employee benefits was partially due to the increases in reserves for medical expenses and annual bonus for 2003. The decrease in the legal and professional expenses was mainly due to reduced consulting expenses associated with an enterprise-wide risk management implementation which peaked in early 2002. For the first three months of 2003, the consulting expenses amounted to \$20,000 compared to \$382,000 for the same period of 2002. Other operating expenses consist of other loan related expenses, regulatory assessment expenses, employee related fees and other outside fees. The efficiency ratio for the first quarter of 2003 was 54.86% compared to 57.91% for the correspondent quarter of 2002

The following table presents the components of the non-interest expense with the amount and percentage changes for the periods indicated:

NON-INTEREST EXPENSE  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Three Months Ended		Increase / (Decrease)	
	03/31/03	03/31/02	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Salaries and employee benefits	\$3,232	\$2,893	\$ 339	11.72 %
Security guards	219	234	(15)	(6.41)
Net occupancy expense	697	722	(25)	(3.46)
Equipment expense	340	351	(11)	(3.13)
Data processing	471	448	23	5.13
Office supplies	76	115	(39)	(33.91)
Legal and professional	178	418	(240)	(57.42)
Advertising and public relations	153	128	25	19.53
Communication expenses	263	243	20	8.23
Other operating expenses	655	500	155	31.00
	-----	-----	-----	-----
Total	\$6,284	\$6,052	\$ 232	3.83 %
	=====	=====	=====	=====

</TABLE>

INCOME TAX

The effective tax rate for the first quarter ended March 31, 2003 was 40.46% compared to 39.98% for the same period of 2002.

The Bank files its California tax return using the Water's Edge Unitary method. When computing its California franchise tax liability, the California law requires that the Bank consider the taxable income allocated from estimated combined net taxable income using the apportionment factor of property, payroll

and revenues over combined property, payroll and revenue of its foreign-owned majority shareholder.

#### FINANCIAL CONDITION

The Bank's total assets were \$940.2 million at March 31, 2003, an increase of \$3.2 million or 0.35% from the \$937.0 million at December 31, 2002. The net increase is attributable to a \$48.5 million or 7.20% increase in net loans, a \$6.9 million or 28.85% increase in cash and due from banks, and offset by a decrease in Federal funds sold of \$54.3 million or 86.88%. Total deposits decreased by \$255,000 to \$759.7 million at March 31, 2003 from \$760.0 million at December 31, 2002. The non-interest bearing deposits of \$16.6 million or 7.45% and time certificates of deposit of \$100,000 or more of \$9.1 million or 3.51% increased in the first quarter of 2003 compared with December 31, 2002. Offsetting these increases, money market deposits and savings deposits decreased a \$23.5 million or 13.78% in the first quarter of 2003 compared with the same period of 2002. The Bank's advances from Federal Home Loan Bank remained at a \$70.0 million at March 31, 2003, the same as at December 31, 2002. Stockholders' equity increased \$2.6 million or 2.53% to \$103.4 million at March 31, 2003 from \$100.9 million at December 31, 2002.

#### INTEREST-EARNING ASSET MIX

Total earning assets amounted to \$890.4 million at March 31, 2003, compared with \$894.5 million at December 31, 2002, representing a decrease of \$4.1 million or 0.46%. The composition of the earning assets changed slightly at March 31, 2003 compared with December 31, 2002. The net loans as a percentage of total earning assets increased 5.79%

to 81.17% and the percentage of Federal funds sold to the total earning assets decreased 6.07% to 0.92% at March 31, 2003 compared to December 31, 2002. On an average basis, interest-earning assets amounted to \$933.3 million, an increase of \$174.9 million or 23.07% for the first three months of 2003 compared to \$758.4 million for the same period of 2002.

The table below shows the changes in the earning asset mix as of the dates indicated:

<TABLE>  
<CAPTION>

Types of earning assets	(Dollars in thousands)			
	As of 03/31/03		As of 12/31/02	
	Amount	Percent (%)	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Federal funds sold	\$ 8,200	0.92%	\$ 62,500	6.99%
Federal Home Loan Bank stock	3,585	0.40	3,538	0.40
Securities held-to-maturity	76,164	8.55	89,314	9.98
Securities available-for-sale	79,489	8.93	64,701	7.23
Net loans	722,775	81.17	674,258	75.38
Interest-bearing deposits	230	0.03	211	0.02
Total earning assets	\$890,443	100.00%	\$894,522	100.00%

</TABLE>

#### SECURITIES

The Bank classifies its securities as held-to-maturity or available-for-sale. The securities classified as held-to-maturity are those that the Bank has the positive intent and ability to hold until maturity. These securities are carried at amortized cost. The securities that could be sold in response to changes in interest rate, increased loan demand, liquidity needs, capital requirements or other similar factors, are classified as securities available-for-sale. These securities are carried at fair value, with unrealized gains or losses reflected net of tax as a component of comprehensive income. As of March 31, 2003, the Bank had a net unrealized gain of \$912,000 on its available for sale portfolio. Accumulated other comprehensive income for the first three months of 2003 was \$164,000 representing the net unrealized loss, net of tax.

The total investment securities increased \$1.6 million or 1.06% to \$155.7 million at March 31, 2003 from \$154.0 million at December 31, 2002. During the first quarter of 2003, purchased available-for-sale securities amounted to \$34.7 million compared to zero for the correspondent quarter of 2002.

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

#### INVESTMENT PORTFOLIO (Dollars in thousands)

<TABLE>  
<CAPTION>

	As of 03/31/03		As of 12/31/02	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:				
U.S. Treasury securities	\$ 20,994	\$ 21,052	\$ 1,003	\$ 1,074
U.S. Government agencies	15,729	15,857	25,996	26,290
Mortgage-backed securities (1)	39,349	39,999	34,000	34,730
State and political subdivision	2,505	2,581	2,507	2,607
	-----	-----	-----	-----
Total available-for-sale	\$ 78,577	\$ 79,489	\$ 63,506	\$ 64,701
	=====	=====	=====	=====
HELD-TO-MATURITY:				
Mortgage-backed securities (1)	76,164	77,404	89,314	90,799
Total held-to-maturity	76,164	77,404	89,314	90,799
	-----	-----	-----	-----
Total investment securities	\$154,741	\$156,893	\$152,820	\$155,500
	=====	=====	=====	=====

</TABLE>

(1) Principal balance may be prepaid before contracted maturity date.

INVESTMENT MATURITIES AND REPRICING SCHEDULE  
(Dollars in thousands)  
As of March 31, 2003

<TABLE>  
<CAPTION>

Total	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)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:								
U.S. Treasury securities	\$ 19,987	1.16%	\$ 1,065	5.82%	\$ -	-%	\$ -	-%
21,052	2.09%							
U.S. Government agencies	6,105	5.94	9,752	2.89	-	-	-	-
15,857	4.42							
Mortgage-backed securities	18,520	5.65	11,011	5.94	-	-	10,468	5.91
39,999	5.75							
State and political	1,527	6.13	1,054	6.17	-	-	-	-
2,581	6.14							
	-----	-----	-----	-----	-----	-----	-----	-----
Total available-for-sale	\$ 46,139	5.29%	\$ 22,882	5.61%	\$ -	-%	\$ 10,468	5.91%
79,489	5.42%							
	=====	=====	=====	=====	=====	=====	=====	=====
HELD-TO-MATURITY:								
Mortgage-backed securities(2)	-	-	76,164	4.36	-	-	-	-
76,164	4.36							
	-----	-----	-----	-----	-----	-----	-----	-----
Total held-to-maturity	-	-	76,164	4.36	-	-	-	-
76,164	4.36							
	-----	-----	-----	-----	-----	-----	-----	-----
Total investment	\$ 46,139	5.29%	\$ 99,046	5.11%	\$ -	-%	\$ 10,468	5.91%
\$155,653	5.26%							
	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>

(1) Yield on tax-exempt obligations has not been computed on a tax equivalent basis because the percentage of tax-exempt securities is minimal.

(2) The mortgage-backed securities reflect stated maturities and not anticipated prepayments.

LOANS

The Bank experienced strong loan demand in the first three months of 2003. Total gross loans increased \$48.9 million or 7.17% to \$732.1 million at March 31, 2003 from \$683.1 million at December 31, 2002. Total commercial and industrial loans increased \$13.5 million or 10.78% to \$138.9 million at March 31, 2003 from \$125.4 million at December 31, 2002. Commercial real estate loans increased \$44.7 million or 11.29% and residential mortgage loans decreased \$8.2 million or 21.83% during the first three months of 2003. \$6.1 million of the guaranteed portion of SBA loans were sold during the first quarter of 2003.

The following table sets forth the composition of the Bank's loan portfolio as of the dates indicated:

LOAN PORTFOLIO COMPOSITION  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	As of 03/31/03		As of 12/31/02	
	Amount	Percent of Total	Amount	Percent of Total
<S>	<C>	<C>	<C>	<C>
Commercial and industrial	\$138,881	18.97%	\$125,363	18.35%
Installment loans	19,812	2.71	21,225	3.11
Real estate loans:				
Commercial	440,492	60.17	395,807	57.94
Residential mortgage	29,283	4.00	37,459	5.48
Home equity	6,090	0.83	5,993	0.88
SBA	69,473	9.49	74,560	10.91
Other (1)	3,502	0.48	3,619	0.53
Trade Finance	12,566	1.72	12,488	1.83
Bills Bought	11,980	1.64	6,617	0.97
	-----	-----	-----	-----
Total gross loans (2)	\$732,079	100.00%	\$683,131	100.00%
	=====	=====	=====	=====

</TABLE>

- -----  
(1) Consists predominantly of credit card loans.

(2) Net of unearned income and participation loans sold.

NON-PERFORMING ASSETS

Non-performing assets include loans past due 90 days or more and still accruing interest, non-accrual loans and OREO. Total non-performing assets at March 31, 2003 increased by \$135,000 to \$2.2 million, compared with December 31, 2002. Total non-performing assets were 0.23% of total assets at March 31, 2003, compared to 0.22 % of total assets at December 31, 2002. The majority balance of the non-accrual home mortgage loans represented a single commercial loan secured by the business owners' home of \$696,000 at March 31, 2003 which the Bank anticipates a full collection.

The non-accrual on home mortgage loans, which include a single loan balance of \$696,000, amounted to \$802,000 in total at March 31, 2003.

As of March 31, 2003, the Bank had no OREO. The non-performing loan coverage ratio, defined as the allowance for loan losses to non-performing loans, slightly decreased to 430.54 % as of March 31, 2003 from 437.96% at December 31, 2002.

The following table provides information with respect to the components of the Bank's non-performing assets as of the dates indicated.

NON-PERFORMING ASSETS  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	3/31/2003	12/31/2002	3/31/2002
<S>	<C>	<C>	<C>
NON-ACCRUAL LOANS:			
Commercial and industrial	\$1,137	\$1,091	\$1,436
Installment loans	37	28	9
Real estate loans:			
Commercial	-	-	3,294
Home mortgage	802	805	117
Home equity	-	-	127
SBA	159	-	170
Other	1	-	5
Trade Finance	-	74	-

Bills Bought	-	-	-
	-----	-----	-----
Total	\$2,136	\$1,998	\$5,158

(Table continues on following page.)

<TABLE>  
<CAPTION>

	3/31/2003	12/31/2002	3/31/2002
	-----	-----	-----
<S>	<C>	<C>	<C>
LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING (AS TO PRINCIPAL OR INTEREST):			
Commercial and industrial	\$ -	\$ -	\$ -
Installment loans	-	-	-
Real estate loans:			
Commercial	-	-	-
Home mortgage	-	-	-
Home equity	-	-	-
SBA			
Other	25	28	75
Trade Finance	-	-	-
Bills Bought	-	-	-
	-----	-----	-----
Total	\$ 25	\$ 28	\$ 75
RESTRUCTURED LOANS:			
Commercial and industrial	\$ -	\$ -	\$ -
Installment loans	-	-	-
Real estate loans:			
Commercial	-	-	-
Home mortgage	-	-	-
Home equity	-	-	-
SBA			
Other	-	-	-
Trade Finance	-	-	-
Bills Bought	-	-	-
	-----	-----	-----
Total	\$ -	\$ -	\$ -
	-----	-----	-----
Total non-performing loans	\$2,161	\$2,026	\$5,233
Other real estate owned	-	-	-
	-----	-----	-----
Total non-performing assets	\$2,161	\$2,026	\$5,233
	=====	=====	=====
Non-performing loans as a percentage of total gross loans	0.30%	0.30%	0.91%
Non-performing assets as a percentage of total gross loans and other real estate owned	0.30%	0.30%	0.91%

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses amounted to \$9.3 million or 1.27% of total loans as of March 31, 2003 compared to \$8.9 million or 1.30% of total loans at December 31, 2002.

The following table presents information relating to the allowance for loan losses for the periods indicated

(Dollars in thousands)

<TABLE>  
<CAPTION>

	YTD 03/31/03	YTD 12/31/02	YTD 03/31/02
	-----	-----	-----
<S>	<C>	<C>	<C>
ALLOWANCE FOR LOAN LOSSES:			
Balance at beginning of period	\$ 8,873	\$ 9,467	\$ 9,467
Provision for loan losses	600	1,100	100
Loans charged-off	(181)	(1,805)	(393)
Recoveries of charged-off loans	12	111	28
	-----	-----	-----
Balance at end of period	9,304	8,873	9,202
	=====	=====	=====
RATIOS:			
Net loan charge-offs to average total loans	0.10%	0.28%	0.26%
Provision for loan losses to average total loans	0.34	0.18	0.02
Allowance for loan losses to gross loans at end of period	1.27	1.30	1.60
Allowance for loan losses to total non-performing loans	430.54	437.96	175.85
Net loan charge-offs to allowance for loan losses at end of period	7.25	19.10	3.97
Net loan charge-offs to provision for loan losses	28.11	154.05	365.48

</TABLE>

In determining the allowance for loan losses, management continues to assess the risk inherent in the loan portfolio, the possible impact of known and potential problem loans, and other factors such as portfolio composition, loan concentration, and trends in local economic conditions.

The Bank formally assesses the allowance for loan losses on a quarterly basis. The allowance for loan losses begins with Management reviewing each individual classified and criticized loan in detail, and evaluating, among other things, the adequacy of collateral, payment record, current loan status and borrowers' financial capacity. A loan loss allowance is assigned to each impaired loan. Loans categorized as impaired from this quarterly allocation of loan loss allowance are based upon the specifics of the loans' circumstances, including updated collateral value, borrowers' or guarantors' financial capacity, payment record and recent conversations with the borrower. Additionally, each quarter the Bank updates its twelve-quarter loss migration analysis for its commercial loan pool, six-quarter loss migration analysis for its homogeneous loan pool and four-quarter loss migration analysis for its credit card loan pool to drive the rolling respective loan loss experience percentages. These loan pools are assigned an appropriate reserve factor based upon the Bank's historical charge off experience, other factors, and then accounts for qualitative adjustments that take into consideration current conditions. The allowance is maintained at a level the Bank considers adequate to cover inherent risk of probable loss associated with its loan portfolio under prevailing and anticipated economic conditions.

Based on the Bank's evaluation process and the methodology to determine the level of the allowance for loan losses, management believes the allowance level as of March 31, 2003 to be adequate to absorb the estimated known and inherent risks identified through its analysis. However, no assurance can be given that the Bank will not sustain losses in any given period which could be substantial in relation to the size of the allowance.

#### DEPOSITS

The Bank's total deposits amounted to \$759.7 million at March 31, 2003, a decrease of \$254,000 from \$760.0 million at December 31, 2002. The Bank's average deposits increased \$94.2 million or 13.36% to \$799.4 million for the first quarter of 2003 from \$705.2 million for the same quarter of 2002. The average money market accounts increased \$43.2 million or 38.01% to \$156.8 million for the first quarter of 2003 from \$113.6 million for the same quarter of 2002. The average non-interest bearing accounts increased \$28.3 million or 14.22% to \$227.2 million for the first quarter of 2003 from \$198.9 million for the same quarter of 2002. The ratio of average noninterest-bearing deposits to average total deposits was 28.42% for the first quarter of 2003 and 28.21% for the same quarter of 2002. The Bank's average total cost

of deposits was 1.38% for the first quarter of 2003 and 1.70% for the same quarter of 2002. The Bank does not hold any brokered deposits.

The following table illustrates the deposit mix as of the dates indicated:

<TABLE>  
<CAPTION>

	(Dollars in thousands)			
	As of March 31, 2003		As of December 31, 2002	
	Amount	Percent	Amount	Percent
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Types of deposits:				
Demand, non-interest-bearing	\$240,026	31.59%	\$223,377	29.39%
Money market accounts	101,736	13.39	126,272	16.61
Super Now	7,624	1.00	7,602	1.00
Savings	45,259	5.96	44,215	5.82
Time certificates of deposits of				
\$100,000 or more	267,720	35.24	258,652	34.03
Other time deposits	97,376	12.82	99,877	13.15
	-----	-----	-----	-----
Total deposits	\$759,741	100.00%	\$759,995	100.00%
	=====	=====	=====	=====

</TABLE>

#### OTHER BORROWINGS

The Bank's borrowings from Federal Home Loan Bank amounted to \$70.0 million at March 31, 2003 and December 31, 2002.

#### CAPITAL RESOURCES

As of March 31, 2003, stockholders' equity was \$103.4 million or 10.99% of total assets, compared with \$100.9 million or 10.77% as of December 31, 2002.

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, and a ratio of Tier 1 capital to total risk-weighted assets of 4.0% ("Tier 1 Risk-Based Capital Ratio"). As of March 31, 2003 and December 31, 2002, the Bank's Total Risk-Based Capital Ratios were 15.38% and 15.95%, respectively, and its Tier 1 Risk Based Capital Ratios were 14.13% and 14.70%, respectively. The Bank's regulatory capital continued to well exceed the regulatory minimum requirements on March 31, 2003; however, the Bank is no longer considered to be "well capitalized" as a result of Consent Agreement entered into with Federal Deposit Insurance Corporation in March 2002. See Part II. Item 1. "Legal Proceedings." 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.

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%. 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. The Bank's Leverage Capital Ratio was 10.52% and 11.56% at March 31, 2003 and December 31, 2002, respectively.

The following table presents the Bank's regulatory capital amount and ratios as of March 31, 2003.

<TABLE>  
<CAPTION>

	AS OF MARCH 31, 2003 (DOLLARS IN THOUSANDS)					
	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)	\$111,990	15.38%	\$ 58,252	> or = 8.0%	\$ 72,815	> or = 10.0%
Tier I capital (to risk-weighted assets)	102,884	14.13	29,125	> or = 4.0	43,687	> or = 6.0
Tier I capital (to average assets)	102,884	10.52	39,103	> or = 4.0	48,878	> or = 5.0

</TABLE>

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### LIQUIDITY AND INTEREST RATE SENSITIVITY

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 repayments from loans. To supplement its primary sources of liquidity, the Bank maintained \$178.7 million of borrowing capacity under a collateralized line of credit with the Federal Home Loan Bank of San Francisco.

At March 31, 2003, the Bank's available liquidity totaled \$295.0 million, which was approximately 38.83% of total deposits and 113.62% of total volatile liabilities compared to \$186.4 million at December 31, 2002, which was approximately 24.52% of total deposits and 71.85% of total volatile liabilities. The volatile liabilities are comprised of time certificates of deposit of \$100,000 or more and other volatile deposits. The Bank's policy is 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 and readily available Federal Home Loan Bank advances as funds availability. The Bank follows the regulatory definition of volatile liabilities, which is Jumbo CD's. The ratios of the average balance of Jumbo CD's to average total deposits for March 31, 2003 and December 31, 2002 were 31.87% and 33.99%, respectively.

The Bank had a significant portion of its time deposits maturing within one year or less as of March 31, 2003. Management anticipates that there may be some outflow of these deposits upon maturity due to the keen competition in the Bank's market place. However, based on its historical runoff experience, the Bank expects the outflow will be minimal and can be replenished through its

normal growth in deposits.

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.

The Bank actively monitors and manages its interest rate risk through analyzing the repricing characteristics of its loans, securities, and deposits on an on-going basis. One of the primary goals is 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. Management uses both interest rate sensitivity analysis, and a simulation model to measure and quantify the impact to the Bank's profitability on the market value of its assets and liabilities.

The interest rate sensitivity 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 March 31, 2003, the Bank maintained positive one-year gap position of \$147.0 million or 15.63% of total assets. This compared with a positive one-year gap position of \$86.5 million or 9.23% of total assets at December 31, 2002. The increase in gap was primarily due to a net increase in rate sensitive assets over rate sensitive liabilities. Because the Bank's assets tend to reprice more frequently than its liabilities over a twelve months horizon, the Bank will realize lower net interest income in a falling rate environment.

Since an interest rate sensitivity analysis does not measure the timing differences in the repricing of assets and liabilities, the Bank uses a simulation model to quantify the extent of the differences in the behavior of the lending and funding rates, so as to project future earnings or market values under alternative interest scenarios.

The following table presents the interest rate sensitivity of the Bank's interest-earning assets and interest-bearing liabilities as of March 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.

INTEREST RATE SENSITIVITY ANALYSIS  
(Dollars in thousands)

<TABLE>  
<CAPTION>

At March 31, 2003					
Amounts Subject to Repricing Within					
	0-3 Months	3-12 Months	1-5 Years	After 5 Years	Total
<S>	<C>	<C>	<C>	<C>	<C>
<b>INTEREST-EARNING ASSETS:</b>					
Total Loans*	\$ 590,888	\$ 17,544	\$ 52,787	\$ 70,169	\$ 731,388
Federal Home Loan Bank Stock	3,585	--	--	--	3,585
Investment securities	24,836	21,303	99,046	10,468	155,653
Federal Funds sold	8,200	--	--	--	8,200
Interest-earning deposits	230	--	--	--	230
<b>Total</b>	<b>627,739</b>	<b>38,847</b>	<b>151,833</b>	<b>80,637</b>	<b>899,056</b>
<b>INTEREST-BEARING LIABILITIES:</b>					
Money market	101,736	--	--	--	101,736
NOW	7,624	--	--	--	7,624
Savings deposits	45,259	--	--	--	45,259
Time deposits of \$100,000 or more	119,314	146,863	1,543	--	267,720
Other Time deposits	42,004	46,804	8,568	--	97,376
Borrowed funds	--	10,000	60,000	--	70,000
<b>Total</b>	<b>\$ 315,937</b>	<b>\$ 203,667</b>	<b>\$ 70,111</b>	<b>\$ --</b>	<b>\$ 598,715</b>
Interest rate sensitivity gap	\$ 311,802	\$(164,820)	\$ 81,722	\$ 80,637	\$ 309,341
Cumulative interest rate sensitivity gap	\$ 311,802	\$ 146,982	\$ 228,704	\$ 309,341	

Cumulative interest rate sensitivity gap ratio as a percentage of total assets	33.16%	15.63%	24.32%	32.90%
--	--------	--------	--------	--------

\*Loans including loan held for sale and unearned fees and excluding Non-Accrual Loans

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 the Bank's estimated net interest income over a twelve month period and NPV based on the indicated changes in market interest rates as of March 31, 2003.

<TABLE>  
<CAPTION>

CHANGE (IN BASIS POINTS)	%CHANGE IN NET INTEREST INCOME (NEXT TWELVE MONTHS)	%CHANGE IN NPV
+200	10.48%	7.42%
+100	5.73	4.05
0	-	-
-100	-8.06	-4.28
-125	-9.95	-5.95

</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 March 31, 2003, the Bank had no derivative instruments outstanding.

ITEM 4. 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-14(c) and 15-d-14(c) as of a date within 90 days of the filing date of 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 would be made known to them by others within the Bank, particularly during the period in which this quarterly 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 or in other factors that could significantly affect these internal controls subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such controls requiring corrective actions. As a result, no corrective actions were taken.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Bank is a party to claims and legal proceedings arising in the ordinary course of business. After taking into consideration information furnished by counsel to the Bank as to the current status of these claims or proceedings to which the Bank is a party, Management is of the opinion that the ultimate aggregate liability represented thereby if any, will not have a material adverse affect on the financial condition of the Bank.

The Bank has been subject to a Consent Agreement with the FDIC pursuant to Section 8(b)(1) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1818(b)(1) since April 14, 2002. The Consent Agreement addresses actions necessary to correct certain Bank Secrecy Act ("BSA") compliance deficiencies including inadequate training and internal controls, and ineffective independent testing of such controls, which deficiencies are alleged by the FDIC but not admitted to by the Bank. Even prior to entering into the Consent Agreement, the Bank began taking proactive steps in 2001 to improve its BSA compliance. For example, in late 2001, the Bank implemented an enterprise-wide risk management infrastructure, which includes a comprehensive compliance and training program. This step was taken with the assistance of a leading financial services consulting firm, The Secura Group, which the Bank retained in November 2001 to advise and assist the Bank in its compliance efforts. In addition, the Bank created a new senior executive position of Chief Risk Officer and hired this officer in May 2002 to enhance overall Risk Management processes. The Bank has also taken other steps to

ensure the accuracy of the customer exemption process. Finally, to improve the overall efficiency and effectiveness of BSA monitoring, the Bank purchased a new automated BSA tracking/monitoring system which was installed in 2002 and is in the process of implementation. The Bank has experienced certain technical difficulties with respect to the integration of this software with the Bank's existing customer database information system, resulting in a delay in the Bank's ability to fully comply with certain requirements of the Consent Agreement. The Bank expects this system to be fully functional and to resolve these technical difficulties shortly, which should enable the Bank to satisfy one of the most critical requirements of the Consent Agreement. Until the new software is fully functional, the Bank is making every effort to implement alternative procedures for those aspects of compliance which will ultimately be achieved through the use of the computer tracking system. In addition, the Bank is in the process of improving its due diligence efforts to identify and monitor high-risk accounts, improve internal controls to assure the accuracy and completeness of internal reports, and intensify personnel training. The Board of Directors, Management, Officers, and employees of the Bank are fully committed to complying with all of the terms of the Consent Agreement, and the Bank has been working and will continue to work closely with the FDIC towards this end.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable



Officer (Principal financial or accounting  
officer and duly authorized signatory)

=====

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20006

-----

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

FDIC Certificate Number 21765

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

<TABLE>		
<CAPTION>		
	CALIFORNIA	95-2888370
<S>		<C>
State or other jurisdiction of incorporation or organization		I.R.S. Employer Identification Number
</TABLE>		

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

(Former name, former address and former fiscal year, if changed since last report): Not applicable

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

YES  NO

Common stock, \$6.00 par value, 10,667,975 shares outstanding as of August 11, 2003.

=====

PACIFIC UNION BANK

TABLE OF CONTENTS

<TABLE>  
<CAPTION>

<S>  
PART I - FINANCIAL INFORMATION

Page No.  
<C>

- Item 1. Financial Statements (Unaudited)
  - Balance Sheets -
    - June 30, 2003 and December 31, 2002
  - Statements of Operations -
    - Three months and six months ended June 30, 2003 and 2002
  - Statements of Cash Flows -
    - Six months ended June 30, 2003 and 2002
  - Notes to Financial Statements
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosure About Market Risk

Item 4. Controls and Procedures

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Changes in Securities

Item 3. Defaults upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

Signatures

Certifications

</TABLE>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PACIFIC UNION BANK  
Balance Sheets  
As of June 30, 2003 and December 31, 2002  
(Unaudited)

<TABLE>  
<CAPTION>

	JUNE 30, 2003	DECEMBER 31, 2002
	-----	-----
<S>	<C>	<C>
	ASSETS	
Cash and due from banks - demand	\$ 32,292,875	\$ 24,054,519
Federal funds sold	11,800,000	62,500,000
Due from banks - interest-bearing	177,068	210,654
Federal Home Loan Bank Stock	3,626,600	3,537,800
Securities held-to-maturity, at amortized cost (fair value of \$86,639,664 at June 30, 2003 and \$90,798,966 at December 31, 2002)	85,225,522	89,313,683
Securities available-for-sale, at fair value	77,808,699	64,701,421
Loans receivable	778,827,859	683,131,191
Less allowance for loan losses	(9,666,372)	(8,872,995)
	-----	-----
Net loans receivable	769,161,487	674,258,196
	-----	-----
Loans held for sale	3,557,700	--
Customers' acceptance liabilities	1,936,301	657,760
Bank premises and equipment, net	6,187,913	6,610,142
Accrued interest receivable	3,380,170	3,404,574
Deferred tax assets	5,099,556	4,663,046
Income taxes receivable	1,636,542	1,116,038
Other assets	2,493,435	1,967,404
	-----	-----
Total assets	\$ 1,004,383,868	\$ 936,995,237
	=====	=====
	LIABILITIES AND STOCKHOLDERS' EQUITY	
Deposits:		
Demand, non-interest-bearing	\$ 251,860,813	\$ 223,377,195
Demand, interest-bearing	7,754,628	7,602,024
Money market and savings	171,492,839	170,486,917
Time certificates of deposit:		
Less than \$100,000	98,912,357	99,876,831
\$100,000 or more	291,464,619	258,652,585
	-----	-----
Total deposits	821,485,256	759,995,552
Other borrowed funds	70,000,000	70,000,000
Acceptance liabilities	1,936,301	657,760
Accrued interest payable	3,492,604	3,140,064
Other liabilities	1,432,132	2,325,902
	-----	-----
Total liabilities	898,346,293	836,119,278
	-----	-----
Stockholders' equity:		
Common stock, \$6 par value. Authorized 30,000,000 shares; issued and outstanding 10,667,237 shares at June 30, 2003 and 10,621,554 shares at December 31, 2002	63,998,599	63,724,507
Capital surplus	22,295,969	22,174,825
Retained earnings	19,266,053	14,283,984

Accumulated other comprehensive income - unrealized gain on securities available-for-sale - net of taxes	476,954	692,643
	-----	-----
Total stockholders' equity	106,037,575	100,875,959
	-----	-----
Total liabilities and stockholders' equity	\$ 1,004,383,868	\$ 936,995,237
	=====	=====

</TABLE>

See accompanying notes to unaudited financial statements.

PACIFIC UNION BANK  
Statements of Operations  
For the Three and Six Months Ended June 30, 2003 and 2002  
(Unaudited)

<TABLE>  
<CAPTION>

ENDED	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS	
	2003	2002	2003	
2002				
	-----	-----	-----	----
<S>	<C>	<C>	<C>	<C>
Interest income:				
Interest and fees on loans	\$10,700,691	9,048,150	\$20,639,137	
17,794,251				
Dividend on Federal Home Loan Bank stock	37,008	7,688	80,128	
30,515				
Interest on securities held-to-maturity	744,729	38,983	1,637,114	
38,983				
Interest on securities available-for-sale	678,080	1,566,308	1,351,453	
3,379,821				
Interest on Federal funds sold	238,857	317,162	510,381	
602,662				
Other interest income	7,540	4,257	16,965	
8,333				
	-----	-----	-----	----
Total interest income	12,406,905	10,982,549	24,235,178	
21,854,565				
Interest expense:				
Demand - interest bearing	5,212	10,237	11,481	
19,773				
Savings and money market	654,084	621,662	1,232,532	
1,185,989				
Time certificates of deposit:				
Less than \$100,000	658,353	762,594	1,378,705	
1,573,919				
\$100,000 or more	1,509,673	1,463,150	2,918,992	
3,036,104				
Other borrowings	604,796	48,391	1,203,119	
48,391				
	-----	-----	-----	----
Total interest expense	3,432,118	2,906,034	6,744,829	
5,864,178				
Net interest income before provision for loan losses	8,974,787	8,076,514	17,490,349	
15,990,387				
Provision for loan losses	300,000	100,000	900,000	
200,000				
	-----	-----	-----	----
Net interest income after provision for loan losses	8,674,787	7,976,514	16,590,349	
15,790,387				
	-----	-----	-----	----
Other income:				
Service charges on deposit accounts	1,590,996	1,602,036	3,231,111	
3,200,664				
Remittance fees	245,514	239,426	461,320	
452,913				
Letter of credit related fees	206,919	209,772	398,727	
403,100				
Gain on sale of premises	--	1,193,797	--	
1,193,797				
Gain on sale of loans	351,414	--	780,406	
--				

Other operating income	423,131	364,539	884,537	
897,288	-----	-----	-----	----
-----				
Total other income	2,817,974	3,609,570	5,756,100	
6,147,762	-----	-----	-----	----
-----				
Other expenses:				
Salaries and employee benefits	3,510,686	2,924,851	6,742,671	
5,817,712				
Security guards	221,684	241,829	440,221	
476,033				
Net occupancy expense	698,455	729,518	1,395,553	
1,451,175				
Equipment expense	375,889	380,069	715,636	
730,762				
Data processing	494,726	511,060	966,108	
959,208				
Net other real estate owned expense	--	--	--	
41				
Office supplies	123,155	139,348	199,257	
254,700				
Legal and professional	236,904	274,691	415,160	
692,612				
Advertising and public relations	204,003	237,076	356,604	
364,964				
Communication related expense	254,320	249,540	517,056	
492,077				
Other operating expenses	749,864	572,727	1,405,492	
1,073,748	-----	-----	-----	----
-----				
Total other expenses	6,869,686	6,260,709	13,153,758	
12,313,032	-----	-----	-----	----
-----				
Income before income taxes	4,623,075	5,325,375	9,192,691	
9,625,117				
Income taxes	1,829,000	2,127,000	3,678,000	
3,846,000	-----	-----	-----	----
-----				
Net income	\$ 2,794,075	3,198,375	\$ 5,514,691	
5,779,117	=====	=====	=====	
=====				
Net income per share:				
Basic	\$ 0.26	0.30	\$ 0.52	\$
0.54				
Diluted	\$ 0.26	0.30	\$ 0.52	\$
0.54				
Weighted-average common shares outstanding:				
Basic	10,646,089	10,613,277	10,633,889	
10,610,513				
Diluted	10,711,173	10,708,605	10,700,269	
10,700,262				

See accompanying notes to financial statements

PACIFIC UNION BANK  
Statements of Cash Flows  
For the Six Months Ended June 30, 2003 and 2002  
(Unaudited)

<TABLE>				
<CAPTION>				
			06/30/2003	
06/30/2002			-----	----
-----				
<S>		<C>		<C>
Cash flows from operating activities:				
Net income		\$	5,514,691	\$
5,779,117				
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization expenses			616,299	
705,674				
Provision for loan losses			900,000	

200,000	Accretion of discount and amortization of premium on securities held-to-maturity, net	(290,332)	
(5,506)	Accretion of discount and amortization of premium on securities available-for-sale, net	(656,118)	
96,815	Net loss (gain) on disposal of Bank premises and equipment	9,943	
(1,200,897)	Gain on sale of loans	(780,406)	
--	Origination of loans held for sale	(12,974,299)	
--	Proceeds from sale of loans held for sale	13,913,727	
--	Decrease (Increase) in accrued interest receivable	24,404	
(326,140)	Increase in prepaid income taxes	(520,504)	
--	(Increase) decrease in deferred income taxes	(280,001)	
294,439	Increase in income taxes receivable	--	
(985,517)	Stock dividend on Federal Home Loan Bank stock	(88,800)	
(43,600)	Increase in other assets	(526,031)	
(449,165)	Increase (decrease) in accrued interest payable	352,540	
(1,828,013)	(Decrease) increase in other liabilities	(893,770)	
665,369			
-----		-----	-----
	Net cash provided by operating activities	4,321,343	
2,902,576		-----	-----
-----			
	Cash flows from investing activities:		
	Proceeds from maturities and redemptions of securities held-to-maturity	29,343,627	
--	Proceeds from maturities and redemptions of securities available-for-sale	55,041,083	
37,497,386	Purchase of securities held-to-maturity	(24,965,134)	
(45,419,151)	Purchase of securities available-for-sale	(67,864,441)	
(3,500,000)	Proceeds from recoveries of written-off loans	299,637	
76,854	Net increase in loans	(99,819,651)	
(16,822,001)	Purchases of Bank premises and equipment	(204,013)	
(504,319)	Proceeds from sale of Bank premises and equipment	--	
3,575,300			
-----		-----	-----
	Net cash used in investing activities	(108,168,892)	
(25,391,825)		-----	-----
-----			
	Cash flows from financing activities:		
	Net increase in demand deposits, non-interest-bearing	28,483,618	
8,634,641	Net increase in demand deposits, interest-bearing	152,604	
560,019	Net increase (decrease) in money market and savings deposits	1,005,922	
(5,924,384)	Net increase in time certificates of deposit	31,847,560	
1,351,324	Proceeds from exercise of stock options	395,236	
148,248	Cash dividend paid	(532,623)	
--	Cash paid for fractional shares	--	
(425)	Net increase in other borrowed funds	--	
30,000,000			
-----		-----	-----
	Net cash provided by financing activities	61,352,317	
34,767,423		-----	-----
-----			

Net (decrease) increase in cash and cash equivalents	(42,495,230)
12,574,068	
Cash and cash equivalents at beginning of period	86,765,173
68,073,953	
-----	-----
Cash and cash equivalents at end of period	\$ 44,269,943
80,648,021	
=====	=====

Supplemental disclosures of cash flow information:

Cash paid during the period for:	
Interest	\$ 6,392,288
7,692,191	
Income taxes	\$ 5,450,000
4,330,000	
=====	=====

Noncash investing and financing activities:	
Transfers of loan receivables to loans held for sale	\$ 3,557,000
--	
Stock dividend	\$ --
13,070,291	

See accompanying notes to unaudited financial statements.

PACIFIC UNION BANK  
NOTES TO FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Pacific Union Bank ("Bank") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United State of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

2. COMPREHENSIVE INCOME

Comprehensive income consists of net income and net unrealized gain (loss) on securities available-for-sale. The comprehensive income amounted to \$5.3 million, which included net income of \$5.5 million and decrease in unrealized gain of \$215,689, which is net of the tax effect of \$156,509 for the six months ended June 30, 2003. The comprehensive income amounted to \$6.6 million which included net income of \$5.8 million and change in unrealized gain of \$822,000, which is net of the tax effect of \$804,000 for the six months ended June 30, 2002.

3. EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted per share computation for the three months ended June 30, 2003 and 2002.

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
2003			
--	-----	-----	-----
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$2,794,075	10,646,089	\$ 0.26
Effect of Dilutive Securities -			
Options	--	65,084	--
	-----	-----	-----
Diluted EPS -			
Income available to common stockholders	\$2,794,075	10,711,173	\$ 0.26
	=====	=====	=====

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
2002			

<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$3,198,375	10,613,277	\$ 0.30
Effect of Dilutive Securities -			
Options	--	95,328	--
Diluted EPS -			
Income available to common stockholders	\$3,198,375	10,708,605	\$ 0.30

The following is a reconciliation of the numerators and denominators of the basic and diluted per share computation for the six months ended June 30, 2003 and 2002.

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
2003			
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$5,514,691	10,633,889	0.52
Effect of Dilutive Securities -			
Options	--	66,380	--
Diluted EPS -			
Income available to common stockholders	\$5,514,691	10,700,269	0.52

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
2002			
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$5,779,117	10,610,513	\$ 0.54
Effect of Dilutive Securities -			
Options	--	89,749	--
Diluted EPS -			
Income available to common stockholders	\$5,779,117	10,700,262	\$ 0.54

#### 4. CAPITAL TRANSACTIONS

The Bank's outstanding number of shares was 10,667,237 at June 30, 2003. The Bank has declared a quarterly cash dividend of \$0.05 per common share on July 24, 2003. The cash dividend will be paid on or about August 27, 2003 to all shareholders of record as of August 15, 2003.

#### 5. 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 six months ended June 30, 2003 and June 30, 2002 would have been reduced to the pro forma indicated below.

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	JUNE 30, 2003	JUNE 30, 2002	JUNE 30, 2003	JUNE 30, 2002
<S>	<C>	<C>	<C>	<C>
Net Income:				
As reported	\$ 2,794,075	\$ 3,198,375	\$ 5,514,691	\$ 5,779,117
Pro-forma	2,783,583	3,187,805	5,494,027	5,754,858
Earnings per share:				
As reported:				
Basic	\$ 0.26	\$ 0.30	\$ 0.52	\$ 0.54
Diluted	0.26	0.30	0.52	0.54
Pro-forma:				
Basic	\$ 0.26	\$ 0.30	\$ 0.52	\$ 0.54
Diluted	0.26	0.30	0.51	0.54

</TABLE>

6. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, FASB Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB No. 5, 57, and 107 and

Rescission of FASB Interpretation No. 34, (FIN No. 45) was issued. FIN No. 45 clarifies requirements relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. FIN No. 45 requires that upon issuance of a guarantee, companies recognize a liability for the fair value of the obligation it assumes under that guarantee. The Company has adopted the annual disclosure provisions of FIN No. 45 in the year ended December 31, 2002 consolidated financial statements. The adoption of FIN 45 did not have a material impact on the Bank's financial statements.

In October 2002, Statement of Financial Accounting No. 147, Acquisitions of Certain Financial Institutions (SFAS No. 147). SFAS No. 147 applies to all acquisitions of financial institutions except those between mutual enterprises. This Statement amends FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that Statement 144 requires for other long-lived assets that are held and used. The provisions of this Statement relating to the application of the purchase method of accounting, was effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions of this Statement relating to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets were effective on October 1, 2002. Transition provisions for previously recognized unidentifiable intangible assets were effective on October 1, 2002, with earlier application permitted. The adoption of FASB No. 147 did not have a material effect on the financial statements.

In December 2002, Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure-An Amendment of SFAS No. 123 (SFAS No. 148) was issued. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation ( SFAS No. 123 ), to provide alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in not only annual, but also interim financial statements about the effect the fair value method would have had on reported results. The transition and annual disclosure requirements of SFAS No. 148 are effective for fiscal years ending after December 15, 2002. The interim disclosure requirements are effective for interim periods beginning after December 15, 2002. It is anticipated that the financial impact of SFAS 148 will not have a material effect on the Bank.

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 addresses consolidation by business enterprises of variable interest entities and clarifies 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 applies 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. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Certain disclosures are effective immediately. The adoption of FIN No. 46 is not expected to have a material effect on the financial statements.

In April, 2003, The Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149") was issued. SFAS No. 149 clarifies and amends financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). In general, SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. It is anticipated that the financial impact of SFAS 149 will not have a material effect on the Bank.

In May, 2003, Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150") was issued. FASB No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity that have been

presented either entirely as equity or between the liabilities section and the equity section of the statement of financial position. SFAS 150 is effective for financial instruments entered into or modified after May 31,

2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is anticipated that the financial impact of SFAS 150 will not have a material effect on the Bank.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis includes forward-looking statements regarding management's beliefs, projections and assumptions concerning future results and events. When used the words "anticipate", "believe", "estimate", "expect", and "intend" and words or phrases of similar meanings as they relate to the Bank or the Bank's management, are intended to identify forward-looking statements. These statements are not guarantees and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Bank to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, governmental policies and actions of regulatory agencies, costs associated with the Bank's future expansion, competition from other commercial banks and other competition and market and general economic factors. Given these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements, which speak as of the date hereof. All forward-looking statements contained in this Form 10-Q are qualified in their entirety by this cautionary statement.

The following discussion and analysis is intended to provide details of the results of operations of the Bank for the three months and six months ended June 30, 2003 and 2002 and financial condition at June 30, 2003 and at December 31, 2002. The following discussion should be read in conjunction with Annual Report on Form 10-K/A for the year ended December 31, 2002 filed with the Federal Deposit Insurance Corporation in particular as it relates to the critical accounting policies as discussed in item 14 of the Form 10-K/A.

### RESULTS OF OPERATIONS

Net income for the quarter ended June 30, 2003 decreased by \$404,300 or 12.6% to \$2.8 million compared to \$3.2 million for the same period in 2002 which included one time gain on sale of San Francisco premises of \$1.2 million in June 2002. Diluted earnings per share decreased by 13.3% to \$0.26 for the three months ended June 30, 2003 compared with \$0.30 for the second quarter of 2002. Income before income tax expense amounted to \$4.6 million for the second quarter of 2003, a decrease of \$702,000 or 13.2% compared to \$5.3 million for the same quarter a year ago.

The annualized return on average assets ("ROA") and return on average stockholders' equity ("ROE") were 1.10% and 10.73%, respectively, for the second quarter of 2003, compared to 1.58% and 13.83%, respectively, for the same period of 2002.

Net Income decreased by \$ 264,000 or 4.6 % to \$5.5 million for the six months ended June 30, 2003 compared to \$5.8 million for the same period of 2002. Diluted earnings per share decreased to \$0.52 for the six months ended June 30, 2003 compared to \$0.54 for the same period of 2002. Income before income tax expense amounted to \$9.2 million and \$9.6 million, respectively, for the six months ended June 30, 2003 and 2002. The annualized ROA and ROE for the first six months ended June 30, 2003 were 1.11% and 10.72%, respectively, compared to 1.43% and 12.70%, respectively, for the same period of 2002.

### NET INTEREST INCOME

The Bank's primary source of income is net interest income, which is the difference between interest income from interest-bearing assets and interest paid on interest-bearing liabilities, such as deposits and other borrowings used to fund those assets. The Bank's net interest income is affected by changes in the volume of interest-earning assets and interest-bearing liabilities as well as by changes in yield earned on interest-earning assets and rates paid on interest-bearing liabilities. The Bank also generates non-interest income, including the service charges on deposit accounts and other transactional fees. The Bank's non-interest expenses consist primarily of personnel, occupancy and equipment expense and other operating expenses. The Bank's results of operations are affected by its provision for loan losses and may also be significantly affected by other factors including general economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory agencies.

Net interest income before the provision for the loan losses increased by \$898,000 or 11.1% to \$9.0 million in the second quarter of 2003, compared to \$8.1 million in the same quarter of 2002. Total interest income increased by

\$1.4 million or 13.0% to \$12.4 million in the second quarter of 2003, compared to \$11.0 million in the same quarter of 2002 primarily due to an increase of \$1.7 million in interest and fees on loans and partially offset by a \$182,000 decrease in interest on investment securities.

The increase in interest income is contributed by the average volume increase of \$192.5 million in interest earning-assets to \$972.5 million in the second quarter of 2003 from \$763.3 million in the same quarter of 2002. The major increase of the interest earning-assets is contributed by the average loan growth of \$173.3 million or 30.4% to \$743.9 million in the second quarter of 2003 compared to \$570.6 million for the corresponding quarter of 2002. The yield on average interest earning-assets was 5.05% in the second quarter of 2003 compared to 5.70% in the same quarter of 2002. Offsetting the increase in average net loans, the yield on average loans including loans held for sale decreased by 58 basis points to 5.69% in the second quarter of 2003 from 6.27% in the same quarter of 2002, which negatively affected the loan interest income.

Total interest expense increased by \$526,000 or 18.1% to \$3.4 million for the second quarter of 2003 compared to \$2.9 million for the same quarter of 2002. The increase is mainly due to an increased interest expense of \$556,000 from Federal Home Loan Bank borrowings in the second quarter of 2003 compared to zero for the correspondent quarter of 2002. Average money market deposits increased \$64.4 million or 58.8% to \$173.8 million in the second quarter of 2003 compared with \$109.4 million for the corresponding period of 2002. The cost of money market deposits decreased 46 basis points to 1.44% for the second quarter of 2003 from 1.99% for the corresponding period of 2002. Average time certificates of deposit of \$100,000 or more increased \$30.9 million or 12.9% to \$270.7 million in the second quarter of 2003 compared with \$239.8 million for the corresponding period of 2002. The cost on average time certificates of deposit of \$100,000 or more decreased 21 basis points to 2.24% in the first quarter of 2003 from 2.45% in the corresponding quarter of 2002. The cost of funds decreased 11 basis points to 1.52% in the second quarter of 2003 compared with 1.63% in the same quarter of 2002.

Net interest income before provision for loan losses increased \$1.5 million or 9.4% to \$17.5 million for the six months ended June 30, 2003 compared to \$16.0 million for the same period of 2002. Total interest income increased by \$2.4 million or 10.9% to \$24.2 million for the six months ended June 30, 2003 compared with \$21.9 million in the same period in 2002. The increase in total interest income was primarily due to a \$2.8 million increase in interest on loans and partially offset by a \$430,000 decrease in interest on investment securities. The average net loans including loans held for sale for the first six months of 2003 increased by \$153.9 million to \$717.9 million compared with \$564.0 million for the same period of 2002.

Total interest expense increased by \$881,000 or 15.0% to \$6.7 million for the six months ended June 30, 2003, compared with \$5.9 million for the corresponding period of 2002. The increase was primarily attributable to a \$1.2 million increase in interest on Federal Home Loan Bank advances. The average balance of Federal Home Loan Bank advances increased to \$70.0 million in the first six months of 2003 compared to zero in the same period of 2002.

#### NET INTEREST MARGIN

Net interest margin decreased by 54 basis points or 12.77% to 3.69% for the second quarter of 2003 compared to 4.23% for the corresponding period of 2002. The decrease in net interest margin was primarily attributable to the decrease in the average interest-earning assets yield of 65 basis points to 5.05% in the second quarter of 2003 compared with 5.70% in the same quarter of 2002. The decrease in the average interest-earning assets yield was offset by the cost of funds decrease of 11 basis points to 1.52% in the second quarter of 2003 from 1.63% in the corresponding quarter of 2002.

Net interest margin decreased by 53 basis points or 12.62% to 3.67% for the six months ended June 30, 2003 compared to 4.20% for the corresponding period of 2002. The decrease in net interest margin was primarily attributable to the decrease in the average interest-earning assets yield of 66 basis points to 5.06% in the second quarter of 2003 compared with 5.72% in the same quarter of 2002. The decrease in the average interest-earning assets yield was offset by the cost of funds decrease of 11 basis points to 1.52% in the second quarter of 2003 from 1.63% in the corresponding quarter of 2002.

The following table presents condensed average balance sheet information for the Bank, together with interest rates earned and paid on the various sources and uses of funds for each of the periods indicated:

#### DISTRIBUTION, YIELD AND RATE ANALYSIS OF NET INCOME

<TABLE>  
<CAPTION>

For the Three Months Ended  
June 30, 2003

-----  
Average % to

	Average Balance	Income/ Expense	Rate/ Yield(35)	Earning Assets
<S>	<C>	<C>	<C>	<C>
<b>ASSETS:</b>				
Interest-earning assets:				
Loans, net(36)	\$ 743,907	\$ 10,701	5.69%	76.49%
Federal Home Loan Bank stock	3,604	37	4.11%	0.37%
Taxable investment securities(37)				
U.S. Treasury Securities	3,751	23	2.45%	0.39%
U.S. Governmental Agencies	137,111	1,400	4.08%	14.10%
Tax-exempt Investment Securities:				
State & Municipal Obligation	0	0		
Federal funds sold	80,833	239	1.17%	8.31%
Interest-earning deposits	3,300	7	0.85%	0.34%
	-----	-----		-----
Total interest-earning assets	972,506	12,407	5.05%	100.00%
	-----	-----		-----
Non-interest-earning assets:				
Cash and due from banks	23,655			
Premises and equipment, net	6,273			
Other real estate owned	0			
Customers' acceptance liabilities	1,611			
Accrued interest receivable	3,220			
Other assets	9,569			
	-----			
Total non-interest-earning assets	44,328			
	-----			
Total assets	\$ 1,016,834			
	=====			
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>				
Interest-bearing liabilities:				
Deposits:				
Money market	\$ 173,779	\$ 625	1.44%	
Super NOW	7,411	5	0.27%	
Savings	46,127	29	0.25%	
Time certificates of deposit of				
\$100,000 or more	270,693	1,510	2.24%	
Other time certificates of deposit	105,720	658	2.50%	
Other borrowings	70,000	605	3.42%	
	-----	-----		
Total interest-bearing liabilities	673,730	3,432	2.04%	
	-----	-----		
Non-interest-bearing liabilities:				
Demand deposits	231,786			
Other liabilities	7,206			
	-----			
Total non-interest-bearing liabilities	238,992		1.52%	
	-----			
Stockholders' equity	104,112			
	-----			
Total liabilities and stockholders' equity	\$ 1,016,834			
	=====			
Net interest income		\$ 8,975		
		=====		
Net interest spread(38)			3.01%	
			=====	
Annualized net interest margin(39)			3.69%	
			=====	
Ratio of average interest-bearing assets to average interest-bearing liabilities			144.35%	
			=====	

<CAPTION>

For the Three Months Ended  
June 30, 2002

	Average Balance	Income/ Expense	Average Rate/ Yield(1)	% to Earning Assets
<S>	<C>	<C>	<C>	<C>
<b>ASSETS:</b>				
Interest-earning assets:				
Loans, net(36)	\$ 570,632	9,048	6.27%	74.76%
Federal Home Loan Bank stock	1,536	8	2.08%	0.20%
Taxable investment securities(37)				
U.S. Treasury Securities	1,475	22	5.97%	0.19%
U.S. Governmental Agencies	113,282	1,581	5.58%	14.84%
Tax-exempt Investment Securities:				
State & Municipal Obligation	197	2	4.06%	0.03%
Federal funds sold	74,990	317	1.67%	9.83%
Interest-earning deposits	1,142	4	1.40%	0.15%
	-----	-----		-----
Total interest-earning assets	763,254	10,982	5.70%	100.00%

Non-interest-earning assets:			
Cash and due from banks	28,925		
Premises and equipment, net	8,548		
Other real estate owned	0		
Customers' acceptance liabilities	1,243		
Accrued interest receivable	3,271		
Other assets	5,198		
Total non-interest-earning assets	47,185		
Total assets	\$ 810,439		
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Interest-bearing liabilities:			
Deposits:			
Money market	\$ 109,402	\$ 543	1.99%
Super NOW	7,070	10	0.57%
Savings	42,158	79	0.75%
Time certificates of deposit of			
\$100,000 or more	239,822	1,463	2.45%
Other time certificates of deposit	100,172	763	3.06%
Other borrowings	5,084	48	3.74%
Total interest-bearing liabilities	503,708	2,906	2.31%
Non-interest-bearing liabilities:			
Demand deposits	209,264		
Other liabilities	4,991		
Total non-interest-bearing liabilities	214,255		1.63%
Stockholders' equity	92,476		
Total liabilities and stockholders' equity	\$ 810,439		
Net interest income		\$ 8,076	
Net interest spread(38)			3.39%
Annualized net interest margin(39)			4.23%
Ratio of average interest-bearing assets to average interest-bearing liabilities			151.53%

</TABLE>

(35) Average rates/yields for these periods have been annualized.

(36) Loan includes loans held for sale and 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 \$769,161 and \$579,432 at June 30, 2003 and 2002.

(37) Yields on tax-exempt income have not been computed on a tax equivalent basis because tax-exempt securities are minimal.

(38) Represents the average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.

(39) Represents net interest income as a percentage of average interest-earning assets.

DISTRIBUTION, YIELD AND RATE ANALYSIS OF NET INCOME

<TABLE>  
<CAPTION>

	For the Six Months Ended June 30, 2003			
	Average Balance	Income/ Expense	Average Rate/ Yield(40)	% to Earning Assets
<S>	<C>	<C>	<C>	<C>
ASSETS:				
Interest-earning assets:				
Loans, net(41)	\$ 717,856	\$ 20,639	5.72%	75.30%
Federal Home Loan Bank stock	3,571	80	4.48%	0.37%
Taxable investment securities(42)				
U.S. Treasury Securities	3,050	41	2.69%	0.32%
U.S. Governmental Agencies	140,542	2,948	4.20%	14.74%

Tax-exempt Investment Securities:				
State & Municipal Obligation	0	0		
Federal funds sold	84,575	510	1.20%	8.87%
Interest-earning deposits	3,697	17	0.93%	0.39%
	-----	-----		-----
Total interest-earning assets	953,291	24,235	5.03%	100.00%
	-----	-----		-----
Non-interest-earning assets:				
Cash and due from banks	23,798			
Premises and equipment, net	6,387			
Other real estate owned	0			
Customers' acceptance liabilities	1,106			
Accrued interest receivable	3,214			
Other assets	9,517			
	-----			
Total non-interest-earning assets	44,022			
	-----			
Total assets	\$ 997,313			
	=====			

LIABILITIES AND STOCKHOLDERS' EQUITY:

Interest-bearing liabilities:

Deposits:

Money market	\$ 165,320	\$ 1,176	1.43%
Super NOW	7,563	11	0.29%
Savings	45,752	57	0.25%
Time certificates of deposit of			
\$100,000 or more	262,790	2,919	2.24%
Other time certificates of deposit	106,640	1,379	2.61%
Other borrowings	70,015	1,203	3.42%
	-----	-----	
Total interest-bearing liabilities	673,730	6,745	2.07%
	-----	-----	

Non-interest-bearing liabilities:

Demand deposits	229,508		
Other liabilities	6,842		
	-----		
Total non-interest-bearing liabilities	236,350		1.53%
	-----		

Stockholders' equity 102,883

Total liabilities and stockholders' equity \$ 997,313

=====

Net interest income \$ 17,490

=====

Net interest spread(43) 2.99%

=====

Annualized net interest margin(44) 3.67%

=====

Ratio of average interest-bearing assets to average interest-bearing liabilities 144.86%

=====

<CAPTION>

For the Six Months Ended  
June 30, 2002

	Average Balance	Income/ Expense	Average Rate/ Yield(1)	% to Earning Assets
<S>	<C>	<C>	<C>	<C>
ASSETS:				
Interest-earning assets:				
Loans, net(41)	\$ 563,966	917,794	6.28%	74.12%
Federal Home Loan Bank stock	1,524	30	3.94%	0.20%
Taxable investment securities(42)				
U.S. Treasury Securities	1,492	45	6.03%	0.20%
U.S. Governmental Agencies	120,815	3,370	5.58%	15.88%
Tax-exempt Investment Securities:				
State & Municipal Obligation	198	4	3.88%	0.03%
Federal funds sold	71,744	603	1.67%	9.43%
Interest-earning deposits	1,102	8	1.46%	0.14%
	-----	-----		-----
Total interest-earning assets	760,841	21,854	5.72%	100.00%
	-----	-----		-----
Non-interest-earning assets:				
Cash and due from banks	26,985			
Premises and equipment, net	8,928			
Other real estate owned	0			
Customers' acceptance liabilities	915			
Accrued interest receivable	3,332			
Other assets	4,731			
	-----			
Total non-interest-earning assets	44,891			

Total assets	\$ 805,732		
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Interest-bearing liabilities:			
Deposits:			
Money market	\$ 111,484	\$ 1,029	1.86%
Super NOW	7,093	20	0.57%
Savings	42,255	159	0.75%
Time certificates of deposit of			
\$100,000 or more	239,695	3,036	2.55%
Other time certificates of deposit	101,909	1,574	3.11%
Other borrowings	2,556	48	3.74%
Total interest-bearing liabilities	504,992	5,864	2.34%
Non-interest-bearing liabilities:			
Demand deposits	204,112		
Other liabilities	5,613		
Total non-interest-bearing liabilities	209,725		1.67%
Stockholders' equity	91,015		
Total liabilities and stockholders' equity	\$ 805,732		
Net interest income		\$ 15,990	
Net interest spread(43)			3.38%
Annualized net interest margin(44)			4.20%
Ratio of average interest-bearing assets to average interest-bearing liabilities			150.66%

</TABLE>

- -----

(40) Average rates/yields for these periods have been annualized.

(41) Loan includes loans held for sale and 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 \$769,161 and \$579,432 at June 30, 2003 and 2002.

(42) Yields on tax-exempt income have not been computed on a tax equivalent basis because tax-exempt securities are minimal.

(43) Represents the average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.

(44) 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:

<TABLE>

<CAPTION>

	FOR THE SIX MONTH ENDED JUNE 30, 2003 VS. 2002 INCREASES (DECREASES) DUE TO CHANGE IN		
	VOLUME	RATE (1)	TOTAL
	-----	-----	-----
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
EARNING ASSETS:			
INTEREST INCOME:	\$ 4,530	(1,685)	2,845
Loans, net(2).....			
Federal Home Loan Bank stock.....	45	5	50
Taxable investment securities:			
U. S. Treasury securities.....	30	(34)	(4)
U. S. Government agencies.....	496	(918)	(422)
Tax-exempt securities:(3)			
State and Municipal Obligation.....	(4)	-	(4)
Federal funds sold.....	96	(189)	(93)

Interest-earning deposits.....	13	(4)	9
	-----	-----	-----
Total net change in interest income.....	\$ 5,206	(\$2,825)	\$ 2,381
	-----	-----	-----
DEPOSITS AND BORROWED FUNDS:			
INTEREST EXPENSE:			
Money market deposits.....	420	(273)	147
Super NOW.....	1	(10)	(9)
Savings deposits.....	12	(112)	(100)
Time certificates of deposit in denominations of \$100,000 or more.....	277	(394)	(117)
Other time deposits.....	70	(265)	(195)
Other borrowings.....	1,159	(4)	1,155
	-----	-----	-----
Total net change in interest expense.....	1,939	(1,058)	881
	-----	-----	-----
Change in net interest income.....	\$ 3,267	(\$1,767)	\$ 1,500
	=====	=====	=====

</TABLE>

#### PROVISION FOR LOAN LOSSES

Provisions for loan losses are made monthly, to cover incurred losses as a result of credit risks. 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 incurred losses inherent in the Bank's loan portfolio.

For the second quarter of 2003 the provision for loan losses amounted to \$300,000 compared with \$100,000 in the corresponding period of 2002. The Provision for loan losses amounted to \$900,000 for the six months ended June 30, 2003 compared with \$200,000 for the same period of 2002. The increase was mainly attributable to a strong loan growth in the second quarter of 2003. On a quarterly basis, management performs an analysis of the adequacy of the allowance for loan losses. The results of this analysis for the quarter ended June 30, 2003 determined that the allowance was adequate to cover losses inherent in the portfolio. The procedures for monitoring the adequacy of the

(1) Rates for these periods on which calculations are based have been annualized.

(2) Loan fees net of direct cost have been included in the calculation of interest income. Loan fees were \$384,000 and \$279,000 for the six months ended June 30, 2003 and 2002, respectively. Loans are net of the allowance for loan losses, deferred fees and related direct costs.

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

allowance, as well as detailed information concerning the allowance itself, are included below under "Allowance for loan losses."

#### NON-INTEREST INCOME

Non-interest income decreased \$792,000 or 21.93% to \$2.8 million in the second quarter of 2003 compared to \$3.6 million in the same quarter of 2002. The decrease resulted mainly from a \$1.2 million gain recognized from the sale of San Francisco premises in the second quarter of 2002 and was partially offset by an increase of \$351,000 on the sale of SBA loans in the second quarter of 2003. The other operating income increased by \$59,000. The other operating income consists of credit card related fees, mortgage loan related fees, merchant discount fees, remittance and cable fees and other various fees.

Non-interest income decreased \$392,000 or 6.38% to \$5.8 million in the six months of 2003 compared to \$6.1 million in the same period of 2002. The decrease resulted mainly from a \$1.2 million gain recognized from the sale of San Francisco premises during the first half of 2002 and was partially offset by an increase of \$780,000 on the sale of SBA loans in the same period of 2003. The Bank is planning to continue to originate and sell the guaranteed portion of SBA loans in 2003.

The following table sets forth the various components of the Bank's non-interest income for the periods indicated:

#### NON-INTEREST INCOME

<TABLE>  
<CAPTION>

(Dollars in thousands)

	Three Months Ended		Increase (Decrease)	
	06/30/03	06/30/02	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Service charges on deposit accounts	\$ 1,591	\$ 1,602	\$ (11)	(0.69)%
Remittance fees	246	239	7	2.93
Letter of credit related fees	207	210	(3)	(1.43)
Gain on sale of loans	351	--	351	NMV
Gain on sale of premise	--	1,194	(1,194)	NMV
Other operating income	423	365	58	15.89
Total	\$ 2,818	\$ 3,610	\$ (792)	21.94%

</TABLE>

<TABLE>  
<CAPTION>

	Six Months Ended		Increase (Decrease)	
	06/30/03	06/30/02	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Service charges on deposit accounts	\$ 3,231	\$ 3,201	\$ 30	0.94%
Remittance fees	461	453	8	1.77
Letter of credit related fees	399	403	(4)	0.99
Gain on sale of loans	780	--	780	NMV
Other operating income	885	897	(12)	(1.34)
Gain on sale of premises	--	1,194	(1,194)	NMV
Total	\$ 5,756	\$ 6,148	\$ (392)	6.38%

</TABLE>

#### NON-INTEREST EXPENSE

Non-interest expense increased by \$609,000 or 9.73% to \$6.9 million in the second quarter of 2003, compared to \$6.3 million in the corresponding quarter of 2002. The increase is mainly attributable to an increase of \$586,000 in salaries and employee benefits and a \$177,000 increase in other expenses offset by decreases in legal and professional expenses by \$38,000 and advertising and public relations by \$33,000. An increase in salaries and employee benefits was mainly attributable to the increase in number of employees, medical expenses and annual bonus accrual for 2003. The decrease in the legal and professional expenses was mainly due to reduced consulting expenses associated with an enterprise-wide risk management implementation which peaked in early 2002. Other operating expenses consist of other loan related expenses, regulatory assessment expenses, employee related fees and other outside fees. The efficiency ratio for the second quarter of 2003 was 58.25% compared to 53.57% for the corresponding quarter of 2002.

Non-interest expense increased by \$841,000 or 6.83% to \$13.2 million for the six months ended June 30, 2003, compared to \$12.3 million in the corresponding period of 2002. The increase is mainly attributable to an increase of \$925,000 in salaries and employee benefits and an increase of \$332,000 in other operating expenses. The increase in salaries and employee benefits mainly resulted from the increases in number of employees, medical expenses and annual bonus accrual for 2003. The efficiency ratio for the six months of 2003 was 56.58% compared to 55.62% for the corresponding period of 2002.

The following table presents the components of the non-interest expense with the amount and percentage changes for the periods indicated:

<TABLE>  
<CAPTION>

	NON-INTEREST EXPENSE		(Dollars in thousands)	
	Three Months Ended		Increase / (Decrease)	
	06/30/03	06/30/02	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Salaries and employee benefits	\$ 3,511	\$ 2,925	\$ 586	20.03%
Security guards	222	242	(20)	(8.33)
Net occupancy expense	698	729	(31)	(4.25)
Equipment expense	376	380	(4)	(1.10)
Data processing	495	511	(16)	(3.20)
Office supplies	123	139	(16)	(11.62)
Legal and professional	237	275	(38)	(13.76)

Advertising and public relations	204	237	(33)	(13.95)
Communication expenses	254	250	5	1.92
Other operating expenses	750	573	177	30.93
	-----	-----	-----	-----
Total	\$ 6,870	\$ 6,261	\$ 609	9.73%
	=====	=====	=====	=====

</TABLE>

<TABLE>  
<CAPTION>

	Six Months Ended		Increase / (Decrease)	
	06/30/03	06/30/02	Amount	Percent (%)
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Salaries and employee benefits	\$ 6,743	\$ 5,818	\$ 925	15.90%
Security guards	440	476	(36)	(7.52)
Net occupancy expense	1,396	1,451	(55)	(3.79)
Equipment expense	716	731	(15)	(2.07)
Data processing	966	959	7	0.72
Office supplies	199	255	(55)	(21.77)
Legal and professional	415	693	(278)	(40.06)
Advertising and public relations	357	365	(8)	(2.29)
Communication related expense	517	492	25	5.08
Other operating expenses	1,405	1,073	332	30.94
	-----	-----	-----	-----
Total	\$ 13,154	\$ 12,313	\$ 841	6.83%
	=====	=====	=====	=====

</TABLE>

#### INCOME TAX

The effective tax rate for the six months ended June 30, 2003 was 40.01% compared to 39.96% for the same period of 2002.

The Bank files its California tax return using the Water's Edge Unitary method. When computing its California franchise tax liability, the California law requires that the Bank consider the taxable income allocated from estimated combined net taxable income using the apportionment factor of property, payroll and revenues over combined property, payroll and revenue of its foreign-owned majority shareholder.

#### FINANCIAL CONDITION

The Bank's total assets were \$1.0 billion at June 30, 2003, an increase of \$67.4 million or 7.19% from the \$937.0 million at December 31, 2002. The net increase is attributable to a \$98.5 million or 14.6% increase in net loans including loans held for sale, a \$8.2 million or 34.25% increase in cash and due from banks offset by a decrease in Federal funds sold of \$50.7 million or 81.12%. Total deposits increased by \$61.5 million or 8.09% to \$821.5 million at June 30, 2003 from \$760.0 million at December 31, 2002. The non-interest bearing deposits increased \$28.5 million or 12.75% and time certificates of deposit of \$100,000 or more increased \$32.8 million or 12.68% during the first six months of 2003 from December 31, 2002. Money market deposits and savings deposits increased \$1.0 million or 0.59% in the six months of 2003 compared with the same period of 2002. The Bank's borrowings from Federal Home Loan Bank were at a \$70.0 million at June 30, 2003 and December 31, 2002. Stockholders' equity increased \$5.2 million or 5.12% to \$106.0 million at June 30, 2003 from \$100.9 million at December 31, 2002.

#### INTEREST-EARNING ASSET MIX

Total earning assets amounted to \$951.4 million at June 30, 2003, compared with \$894.5 million at December 31, 2002, representing an increase of \$56.9 million or 6.36%. The composition of the earning assets changed slightly at June 30, 2003 compared with December 31, 2002. The net loans as a percentage of total earning assets increased 5.84% to 81.22% and the percentage of Federal funds sold to the total earning assets decreased 5.75% to 1.24% at June 30, 2003 compared to December 31, 2002. On an average basis, interest-earning assets amounted to \$972.5 million, an increase of \$209.2 million or 27.40% for the three months ended June 30, 2003 compared to \$763.3 million for the same period of 2002. On an average basis, interest-earning assets amounted to \$953.3 million, an increase of \$192.5 million or 25.30% for the first six months of 2003 compared to \$760.8 million for the same period of 2002.

The table below shows the changes in the earning asset mix as of the dates indicated:

<TABLE>  
<CAPTION>

	(Dollars in thousands)			
	As of 06/30/03		As of 12/31/02	
	-----	-----	-----	-----
Types of earning assets	Amount	Percent(%)	Amount	Percent(%)

<S>	<C>	<C>	<C>	<C>
Federal funds sold	\$ 11,800	1.24%	\$ 62,500	6.99%
Federal Home Loan Bank stock	3,627	0.38	3,538	0.40
Securities held-to-maturity	85,225	8.96	89,314	9.98
Securities available-for-sale	77,809	8.18	64,701	7.23
Net loans	772,719	81.22	674,258	75.38
Interest-bearing deposits	177	0.02	211	0.02
Total earning assets	\$951,357	100.00%	\$894,522	100.00%

</TABLE>

#### SECURITIES

The Bank classifies its securities as held-to-maturity or available-for-sale. The securities classified as held-to-maturity are those that the Bank has the positive intent and ability to hold until maturity. These securities are carried at amortized cost. The securities that could be sold in response to changes in interest rate, increased loan demand, liquidity needs, capital requirements or other similar factors, are classified as securities available-for-sale. These securities are carried at fair value, with unrealized gains or losses reflected net of tax as a component of comprehensive income. As of June 30, 2003, the Bank had a net unrealized gain of \$824,000 on its available-for-sale portfolio. Accumulated other comprehensive loss for the first six months of 2003 was \$216,000 representing the net unrealized loss, net of tax.

The total investment securities increased \$9.0 million or 5.86% to \$163.0 million at June 30, 2003 from \$154.0 million at December 31, 2002. During the second quarter of 2003, available-for-sale securities and held-to-maturity securities were purchased in the amount of \$58.2 million.

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

#### INVESTMENT PORTFOLIO (Dollars in thousands)

<TABLE>  
<CAPTION>

	As of 06/30/03		As of 12/31/02	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:				
U.S. Treasury securities	\$ 1,002	\$ 1,055	\$ 1,003	\$ 1,074
U.S. Government agencies	25,730	25,959	25,996	26,290
Mortgage-backed securities (1)	47,649	48,146	34,000	34,730
State and political subdivision	2,604	2,649	2,507	2,607
Total available-for-sale	\$ 76,985	\$ 77,809	\$ 63,506	\$ 64,701
HELD-TO-MATURITY:				
Mortgage-backed securities (1)	85,225	86,640	89,314	90,799
Total held-to-maturity	85,225	86,640	89,314	90,799
Total investment securities	\$162,210	\$164,449	\$152,820	\$155,500

</TABLE>

(1) Principal balance may be prepaid before contracted maturity date.

#### INVESTMENT MATURITIES AND REPRICING SCHEDULE (Dollars in thousands) As of June 30, 2003

<TABLE>  
<CAPTION>

	Within One Year		After One But Within Five Years		After Five but Within Ten Years	
	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:						
U.S. Treasury securities	\$ -	-	\$ 1,055	5.82%	\$ -	-%
U.S. Government agencies	6,035	5.94	19,924	2.91	-	-

Mortgage-backed securities (2)	17,016	5.65	8,135	5.93	5,175	2.98
State and political subdivisions	1,506	6.13	1,042	6.17	101	3.00
	-----	-----	-----	-----	-----	-----
Total available-for-sale	\$ 24,557	5.68%	\$ 30,156	5.27%	\$ 5,276	2.99%
	=====	=====	=====	=====	=====	=====
HELD-TO-MATURITY:						
Mortgage-backed securities (2)	-	-	75,078	4.59	-	-
	-----	-----	-----	-----	-----	-----
Total held-to-maturity	-	-	75,078	4.59	-	-
	-----	-----	-----	-----	-----	-----
Total investment securities	\$ 24,557	5.68%	\$ 105,234	4.96%	\$ 5,276	2.99%
	=====	=====	=====	=====	=====	=====

<CAPTION>

	After Ten Years		Total	
	Amount	Yield (1)	Amount	Yield (1)
<S>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:				
U.S. Treasury securities	\$ -	-%	\$ 1,055	5.82%
U.S. Government agencies	-	-	25,959	3.92
Mortgage-backed securities (2)	17,820	4.77	48,146	5.58
State and political subdivisions	-	-	2,649	5.36
	-----	-----	-----	-----
Total available-for-sale	\$ 17,820	4.77%	\$ 77,809	5.43%
	=====	=====	=====	=====
HELD-TO-MATURITY:				
Mortgage-backed securities (2)	10,147	3.30	85,225	4.44
	-----	-----	-----	-----
Total held-to-maturity	10,147	3.30	85,225	4.44
	-----	-----	-----	-----
Total investment securities	\$ 27,967	4.81%	\$ 163,03	5.25%
	=====	=====	=====	=====

</TABLE>

(3) Yield on tax-exempt obligations has not been computed on a tax equivalent basis because the percentage of tax-exempt securities is minimal.

(4) The mortgage-backed securities reflect stated maturities and repricing schedule and not anticipated prepayments.

## LOANS

The Bank experienced strong loan growth in the first six months of 2003. The Bank achieved record loan production of \$218.6 million during the first six months of 2003 resulting in a \$99.3 million increase in gross loans to \$782.4 million at June 30, 2003 from \$683.1 million at December 31, 2002. Total commercial and industrial loans increased \$14.7 million or 11.71% to \$140.0 million at June 30, 2003 from \$125.4 million at December 31, 2002. Commercial real estate loans increased \$81.1 million or 20.48% and residential mortgage loans decreased \$10.2 million or 27.27% during the first six months of 2003.

The following table sets forth the composition of the Bank's loan portfolio as of the dates indicated:

LOAN PORTFOLIO COMPOSITION  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	As of 06/30/03		As of 12/31/02	
	Amount	Percent of Total	Amount	Percent of Total
<S>	<C>	<C>	<C>	<C>
Commercial and industrial	\$140,045	17.90%	\$125,363	18.35%
Installment loans	20,199	2.58	21,225	3.11
Real estate loans:				
Commercial	476,877	60.95	395,807	57.94
Residential mortgage	27,245	3.48	37,459	5.48
Home equity	6,404	0.82	5,993	0.88
SBA	77,087	9.85	74,560	10.91
Other (1)	3,387	0.43	3,619	0.53
Trade Finance	13,798	1.77	12,488	1.83
Bills Bought	17,344	2.22	6,617	0.97
	-----	-----	-----	-----
Total gross loans (2)	\$782,386	100.00%	\$683,131	100.00%

</TABLE>

- (1) Consists predominantly of credit card loans.
- (2) Net of unearned income and participation loans sold.

NON-PERFORMING ASSETS

Non-performing assets include loans past due 90 days or more and still accruing interest, non-accrual loans and OREO. Total non-performing assets at June 30, 2003 decreased \$541,000 to \$1.5 million, compared with December 31, 2002. Total non-performing assets were 0.19% of total assets at June 30, 2003, compared to 0.30 % of total assets at December 31, 2002. The majority balance of the non-accrual home mortgage loans represented a single commercial loan secured by the business owners' home of \$696,000 at June 30, 2003 which the Bank anticipates a full collection.

As of June 30, 2003, the Bank had no OREO. The non-performing loan coverage ratio, defined as the allowance for loan losses to non-performing loans, increased to 659.80% as of June 30, 2003 from 437.96% at December 31, 2002.

The following table provides information with respect to the components of the Bank's non-performing assets as of the dates indicated.

<TABLE>  
<CAPTION>

	NON-PERFORMING ASSETS (Dollars in thousands)		
	6/30/2003	12/31/2002	6/30/2002
<S>	<C>	<C>	<C>
NON-ACCRUAL LOANS:			
Commercial and industrial	\$ 413	\$ 1,091	\$ 1,302
Installment loans	45	28	5
Real estate loans:			
Commercial	-	-	2,314
Home mortgage	798	805	864
Home equity	-	-	123
SBA	159	-	162
Other	1	-	4
Trade Finance	-	74	58
Bills Bought	-	-	-
Total	\$ 1,416	\$ 1,998	\$ 4,832

</TABLE>

(Table continues on the following page.)

<TABLE>  
<CAPTION>

	6/30/2003	12/31/2002	6/30/2002
<S>	<C>	<C>	<C>
LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING (AS TO PRINCIPAL OR INTEREST):			
Commercial and industrial	\$ -	\$ -	\$ -
Installment loans	-	-	-
Real estate loans:			
Commercial	-	-	-
Home mortgage	-	-	-
Home equity	-	-	-
SBA	-	-	-
Other	49	28	49
Trade Finance	-	-	-
Bills Bought	-	-	-
Total	\$ 49	\$ 28	\$ 49
Total non-performing loans	\$ 1,465	\$ 2,026	\$ 4,881
Other real estate owned	-	-	-
Total non-performing assets	\$ 1,465	\$ 2,026	\$ 4,881
Non-performing loans as a percentage of total gross loans	0.19%	0.30%	0.83%
Non-performing assets as a percentage of total gross loans and other real estate owned	0.19%	0.30%	0.83%

</TABLE>

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses amounted to \$9.7 million or 1.24% of

total loans as of June 30, 2003 compared to \$8.9 million or 1.30% of total loans at December 31, 2002.

The following table presents information relating to the allowance for loan losses for the periods indicated:

<TABLE>  
<CAPTION>

	(Dollars in thousands)		
	YTD 06/30/03 ----- <C>	YTD 12/31/02 ----- <C>	YTD 06/30/02 ----- <C>
<b>ALLOWANCE FOR LOAN LOSSES:</b>			
Balance at beginning of period	\$ 8,873	\$ 9,467	\$ 9,467
Provision for loan losses	900	1,100	200
Loans charged-off	(407)	(1,805)	(949)
Recoveries of charged-off loans	300	111	77
	-----	-----	-----
Balance at end of period	\$ 9,666 =====	\$ 8,873 =====	\$ 8,795 =====
<b>RATIOS:</b>			
Net loan charge-offs to average total loans	0.03%	0.28%	0.30%
Provision for loan losses to average total loans	0.25	0.18	0.07
Allowance for loan losses to gross loans at end of period	1.24	1.30	1.50
Allowance for loan losses to total non-performing loans	659.80	437.96	180.20
Net loan charge-offs to allowance for loan losses at end of period	2.21	19.10	19.85
Net loan charge-offs to provision for loan losses	11.85	154.05	436.48

In determining the allowance for loan losses, management continues to assess the risk inherent in the loan portfolio, the possible impact of known and potential problem loans, and other factors such as portfolio composition, loan concentration, and trends in local economic conditions.

The Bank formally assesses its allowance for loan losses on a quarterly basis. The allowance for loan losses begins with Management reviewing each individual classified and criticized loan in detail, and evaluating, among other things, the adequacy of collateral, payment record, current loan status and borrowers' financial capacity. A loan loss allowance is assigned to each impaired loan. Loans categorized as impaired from this quarterly allocation of loan loss allowance are based upon the specifics of the loans' circumstances, including updated collateral value, borrowers' or guarantors' financial capacity, payment record and recent conversations with the borrower. Additionally, each quarter the Bank updates its twelve-quarter loss migration analysis for its commercial loan pool, six-quarter loss migration analysis for its homogeneous loan pool and four-quarter loss migration analysis for its credit card loan pool to drive the rolling respective loan loss experience percentages. These loan pools are assigned an appropriate allowance factor based upon the Bank's historical charge off experience, other factors, and then accounts for qualitative adjustments that take into consideration current conditions. The allowance is maintained at a level the Bank considers adequate to cover inherent risk of probable loss associated with its loan portfolio under prevailing and anticipated economic conditions.

Based on the Bank's evaluation process and the methodology to determine the level of the allowance for loan losses, management believes the allowance level as of June 30, 2003 to be adequate to absorb the estimated known and inherent risks identified through its analysis. However, no assurance can be given that the Bank will not sustain losses in any given period which could be substantial in relation to the size of the allowance.

DEPOSITS

The Bank's total deposits amounted to \$821.5 million at June 30, 2003, an increase of \$61.5 million from \$760.0 million at December 31, 2002. The Bank's average deposits increased \$111.0 million or 15.71% to \$817.6 million for the first six months of 2003 from \$706.5 million for the same period of 2002. The average money market accounts increased \$53.8 million or 48.25% to \$165.3 million for the first six months of 2003 from \$111.5 million for the same period of 2002. The average non-interest bearing deposits increased \$25.4 million or 12.44% to \$229.5 million for the first six months of 2003 from \$204.1 million for the same period of 2002. The ratio of average noninterest-bearing deposits to average total deposits was 28.07% for the first six months of 2003 and 28.89% for the same period of 2002. The Bank's average total cost of deposits was 1.53% for the first six months of 2003 and 1.67% for the same period of 2002. The Bank does not hold any brokered deposits.

The following table illustrates the deposit mix as of the dates indicated:

<TABLE>

<CAPTION>

	(Dollars in thousands)			
	As of June 30, 2003		As of December 31, 2002	
	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>
Types of deposits:				
Demand, non-interest-bearing	\$251,861	30.66%	\$223,377	29.39%
Money market accounts	125,447	15.27	126,272	16.61
Super Now	7,754	0.94	7,602	1.00
Savings	46,046	5.61	44,215	5.82
Time certificates of deposits of				
\$100,000 or more	291,465	35.48	258,653	34.03
Other time deposits	98,912	12.04	99,877	13.15
	-----	-----	-----	-----
Total deposits	\$821,485	100.00%	\$759,996	100.00%
	=====	=====	=====	=====

</TABLE>

OTHER BORROWINGS

The Bank's borrowings from Federal Home Loan Bank amounted to \$70.0 million at June 30, 2003 and December 31, 2002.

CAPITAL RESOURCES

As of June 30, 2003, stockholders' equity was \$106.0 million or 10.55% of total assets, compared with \$100.9 million or 10.77% as of December 31, 2002.

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, and a ratio of Tier 1 capital to total risk-weighted assets of 4.0% ("Tier 1 Risk-Based Capital Ratio"). As of June 30, 2003 and December 31, 2002, the Bank's Total Risk-Based Capital Ratios were 14.36% and 15.95%, respectively, and its Tier 1 Risk Based Capital Ratios were 13.15% and 14.70%, respectively. The Bank's regulatory capital continued to well exceed the regulatory minimum requirements on June 30, 2003; however, the Bank is no longer considered to be "well capitalized" as a result of Consent Agreement entered into with Federal Deposit Insurance Corporation in March 2002. See Part II. Item 1. "Legal Proceedings." 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.

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%. 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. The Bank's Leverage Capital Ratio was 10.38% and 11.56% at June 30, 2003 and December 31, 2002, respectively.

The following table presents the Bank's regulatory capital amount and ratios as of June 30, 2003 and December 31, 2002.

<TABLE>

<CAPTION>

	AS OF JUNE 30, 2003 (DOLLARS IN THOUSANDS)					
	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)	\$115,195	14.36%	\$ 64,175	> or = 8.0%	\$ 80,219	> or =10.0%
Tier I capital (to risk-weighted assets)	105,528	13.15	32,100	> or = 4.0	48,150	> or = 6.0
Tier I capital (to average assets)	105,528	10.22	41,303	> or = 4.0	51,628	> or = 5.0
	=====	=====	=====	=====	=====	=====

</TABLE>

<TABLE>

<CAPTION>

AS OF DECEMBER 31, 2002 (DOLLARS IN THOUSANDS)					

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSE		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>

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### LIQUIDITY AND INTEREST RATE SENSITIVITY

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 repayments from loans. To supplement its primary sources of liquidity, the Bank maintained \$222.9 million of borrowing capacity under a collateralized line of credit with the Federal Home Loan Bank of San Francisco.

At June 30, 2003, the Bank's available liquidity totaled \$270.3 million, which was approximately 30.32% of total deposits and 88.45% of total volatile liabilities compared to \$186.4 million at December 31, 2002, which was approximately 24.52% of total deposits and 71.85% of total volatile liabilities. The volatile liabilities are comprised of time certificates of deposit of \$100,000 or more and other volatile deposits. The Bank's policy is 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 and readily available Federal Home Loan Bank advances as funds availability. The Bank follows the regulatory definition of volatile liabilities, which is Jumbo CD's. The ratios of the average balance of Jumbo CD's to average total deposits for June 30, 2003 and December 31, 2002 were 32.14% and 33.99%, respectively.

The Bank had a significant portion of its time deposits maturing within one year or less as of June 30, 2003. Management anticipates that there may be some outflow of these deposits upon maturity due to the keen competition in the Bank's market place. However, based on its historical runoff experience, the Bank expects the outflow will be minimal and can be replenished through its normal growth in deposits.

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.

The Bank actively monitors and manages its interest rate risk through analyzing the repricing characteristics of its loans, securities, and deposits on an on-going basis. One of the primary goals is 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. Management uses both interest rate sensitivity analysis, and a simulation model to measure and quantify the impact to the Bank's profitability on the market value of its assets and liabilities.

The interest rate sensitivity 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 June 30, 2003, the Bank maintained positive one-year gap position of \$105.9 million or 10.54% of total assets. This compared with a positive one-year gap position of \$86.5 million or 9.23% of total assets at December 31, 2002. The increase in gap was primarily due to a net increase in rate sensitive assets over rate sensitive liabilities. Because the Bank's assets tend to reprice more frequently than its liabilities over a twelve months horizon, the Bank will realize lower net interest income in a falling rate environment.

Since an interest rate sensitivity analysis does not measure the timing

differences in the repricing of assets and liabilities, the Bank uses a simulation model to quantify the extent of the differences in the behavior of the lending and funding rates, so as to project future earnings or market values under alternative interest scenarios.

The following table presents the interest rate sensitivity of the Bank's interest-earning assets and interest-bearing liabilities as of June 30, 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.

INTEREST RATE SENSITIVITY ANALYSIS  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	At June 30, 2003				
	----- Amounts Subject to Repricing Within -----				
	0-3 Months	3-12 Months	1-5 Years	After 5 Years	Total
	----- <C>	----- <C>	----- <C>	----- <C>	----- <C>
<b>INTEREST-EARNING ASSETS:</b>					
Total Loans*	\$ 627,509	\$ 21,413	\$ 55,549	\$ 77,979	\$ 782,450
Federal Home Loan Bank Stock	3,627	--	--	--	3,627
Investment securities	11,930	21,627	105,234	33,243	163,034
Federal Funds sold	11,800	--	--	--	11,800
Interest-earning deposits	177	--	--	--	177
	-----	-----	-----	-----	-----
Total	655,043	34,040	160,783	111,222	961,088
<b>INTEREST-BEARING LIABILITIES:</b>					
Money market	125,447	--	--	--	125,447
NOW	7,754	--	--	--	7,754
Savings deposits	46,046	--	--	--	46,046
Time deposits of \$100,000 or more	156,378	132,784	9,148	--	291,465
Other Time deposits	41,447	48,317	8,568	--	98,912
Borrowed funds	10,000	15,000	45,000	--	70,000
	-----	-----	-----	-----	-----
Total	\$ 387,072	\$ 196,101	\$ 56,451	\$ --	\$ 639,624
	=====	=====	=====	=====	=====
Interest rate sensitivity gap	\$ 267,971	\$ (162,061)	\$ 104,332	\$ 111,222	\$ 321,464
Cumulative interest rate sensitivity gap	\$ 267,971	\$ 105,910	\$ 210,242	\$ 321,464	
Cumulative interest rate sensitivity gap ratio as a percentage of total assets	26.68%	10.54%	20.93%	32.01%	

\*Loans including loan held for sale and unearned fees and excluding Non-Accrual Loans

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 the Bank's estimated net interest income over a twelve month period and NPV based on the indicated changes in market interest rates as of June 30, 2003.

<TABLE>  
<CAPTION>

CHANGE (IN BASIS POINTS)	% CHANGE IN NET INTEREST INCOME (NEXT TWELVE MONTHS)	% CHANGE IN NPV
----- <C>	----- <C>	----- <C>
+200	10.72%	7.26%
	5.12	3.63
+100		
0	-	-

&lt;/TABLE&gt;

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 June 30, 2003 the Bank had no derivative instruments outstanding.

#### ITEM 4. 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-14(c) and 15-d-14(c) 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 would be made known to them by others within the Bank, particularly during the period in which this quarterly 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 or in other factors that could significantly affect these internal controls subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such controls requiring corrective actions. As a result, no corrective actions were taken.

#### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

From time to time, the Bank is a party to claims and legal proceedings arising in the ordinary course of business. After taking into consideration information furnished by the General Counsel as to the current status of these claims or proceedings to which the Bank is a defendant, Management is of the opinion that the ultimate aggregate liability represented thereby, if any, will not have a material adverse effect on the financial condition of the Bank.

The Bank has been subject to a Consent Order by the FDIC pursuant to Section 8(b)(1) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1818(b)(1) since April 14, 2002. The Consent Order addresses actions necessary to correct certain Bank Secrecy Act ("BSA") compliance deficiencies including inadequate training and internal controls, and ineffective independent testing of such controls. Even before the Consent Order, the Bank had begun taking proactive steps to improve its BSA compliance. For example, the Bank implemented an enterprise-wide risk management infrastructure, which includes a comprehensive compliance and training program. This step was taken with the assistance of a leading financial services consulting firm, The Secura Group, which the Bank retained in November 2001 to advise and assist the Bank in its

compliance efforts. To improve the overall efficiency and effectiveness of BSA monitoring, the Bank implemented an automated BSA tracking/monitoring system. In addition, the Bank is in the process of improving its due diligence efforts to identify and monitor high-risk accounts, internal controls to assure the accuracy and completeness of internal reports, and has intensified employee training. Finally, the Audit Committee has engaged Deloitte & Touche to conduct ongoing independent testing to validate the BSA monitoring controls, systems and processes including the implementation of the BSA Tracking System and also to oversee the bank-wide risk management. The Board of Directors, Management, Officers, and employees of the Bank are fully committed to complying with all of

the terms of the Consent Order, and have been working and will continue to work closely with the FDIC towards this goal.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

The Bank's annual meeting of shareholders was held on May 22, 2003. Proxies were solicited by the Bank's management pursuant to Regulation 14 under the Securities Exchange Act of 1934. There was no solicitation in opposition to Management's nominees for directorship as listed in the proxy statement, and all of such nominees were elected pursuant to the vote of shareholders. The directors noted below were elected to serve in office until the next annual meeting of shareholders. The votes were as follows:

<TABLE>  
<CAPTION>

<S>	FOR <C>	AGAINST <C>	ABSTAIN <C>
Jin Kon Park	8,411,775	257,702	None
Oh Kyung Kwon	8,400,075	269,402	None
Yong Koo Kim	8,400,075	269,402	None
Oh Hoon Kwon	8,309,475	360,002	None
Donald D. Byun	8,653,402	16,075	None
Kraig A. Kupiec	8,603,402	66,075	None
Sun Kee Kim	8,603,402	66,075	None
David B. Warner	8,181,175	488,302	None
Ernest E. Dow	8,603,402	66,075	None

</TABLE>

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) Exhibit

<TABLE>  
<CAPTION>

Exhibit Table Reference Number	Item
Number	
-----	----
<S>	<C>
<C>	
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).....
11.1	Statement Regarding Computation of Earnings Per Share(4).....
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002..
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002..
32.1	Certification of Chief Financial Officer and Chief Financial Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.....

</TABLE>

(b) Reports on Form 8-K

On April 10, 2003, the Bank filed a Form 8-K announcing that KEB will no longer recommend its retired executives to serve as president of the Bank and the Bank expects to retain an experienced President & CEO in American community banking.

On July 26, 2003, the Bank filed a Form 8-K announcing the change of accounting firm. The accounting firm of KPMG, LLP was selected as independent auditors for the Bank's 2003 fiscal year and the Bank dismissed PricewaterhouseCoopers LLP as independent auditors for the Bank.

- - - - -
- (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 10-K/A, as filed with the FDIC on April 20, 2001.
  - (4) The information required by this exhibit is incorporated herein by reference from Note of the Bank's Financial Statements included herein.

SIGNATURES

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

Pacific Union Bank

Date: August 13, 2003 By: /s/ Dianne Kim

-----  
Dianne Kim  
Senior Vice President and Chief Financial  
Officer  
(Principal financial or accounting officer and  
duly authorized signatory)

=====

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20006

-----

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

FDIC Certificate Number 21765

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA 95-2888370  
State or other jurisdiction of incorporation or organization I.R.S. Employer Identification Number

3530 WILSHIRE BLVD. #1800 90010  
LOS ANGELES, CALIFORNIA Zip Code  
Address of principal executive offices

(213) 385-0909  
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report): Not applicable

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).  
YES  NO

Common stock, \$6.00 par value, 10,673,739 shares outstanding as of November 3, 2003.

=====

PACIFIC UNION BANK

TABLE OF CONTENTS

<TABLE>  
<CAPTION>

<S>  
PART I - FINANCIAL INFORMATION

Page No.  
<C>

- Item 1. Financial Statements (Unaudited)
- Balance Sheets -  
September 30, 2003 and December 31, 2002
- Statements of Operations -  
Three months and nine months ended September 30, 2003 and 2002
- Statements of Cash Flows -  
Nine months ended September 30, 2003 and 2002
- Notes to Financial Statements
- Item 2. Management's Discussion and Analysis of  
Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosure About Market Risk
- Item 4. Controls and Procedures

PART II - OTHER INFORMATION

- Item 1. Legal Proceedings
- Item 2. Changes in Securities
- Item 3. Defaults upon Senior Securities
- Item 4. Submission of Matters to a Vote of Security Holders
- Item 5. Other Information
- Item 6. Exhibits and Reports on Form 8-K

Signatures

</TABLE>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PACIFIC UNION BANK  
Balance Sheets  
As of September 30, 2003 and December 31, 2002  
(Unaudited)

<TABLE>

<CAPTION>

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
	-----	-----
<S>	<C>	<C>
ASSETS		
Cash and due from banks - demand	\$ 21,426,702	\$ 24,054,519
Federal funds sold	24,500,000	62,500,000
Due from banks - interest-bearing	466,030	210,654
Federal Home Loan Bank Stock	5,789,500	3,537,800
Securities held-to-maturity, at amortized cost (fair value of \$68,323,575 at September 30, 2003 and \$90,798,966 at December 31, 2002)	68,271,548	89,313,683
Securities available-for-sale, at fair value	94,344,814	64,701,421
Loans receivable	825,495,501	683,131,191
Less allowance for loan losses	(9,997,111)	(8,872,995)
Net loans receivable	----- 815,498,391	----- 674,258,196
Loans held for sale	5,966,111	--
Customers' acceptance liabilities	1,321,142	657,760
Bank premises and equipment, net	6,387,210	6,610,142
Accrued interest receivable	3,340,159	3,404,574
Deferred tax assets	5,857,031	4,663,046
Income taxes receivable	1,566,542	1,116,038
Other assets	3,068,992	1,967,404
Total assets	----- \$ 1,057,804,171	----- \$ 936,995,237
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand, non-interest-bearing	\$ 242,528,146	223,377,195
Demand, interest-bearing	8,606,956	7,602,024
Money market and savings	183,947,600	170,486,917
Time certificates of deposit:		
Less than \$100,000	96,631,660	99,876,831
\$100,000 or more	306,252,523	258,652,585
Total deposits	----- 837,966,885	----- 759,995,552
Other borrowed funds	105,000,000	70,000,000
Acceptance liabilities	1,321,142	657,760
Accrued interest payable	3,235,623	3,140,064
Other liabilities	2,068,174	2,325,902
Total liabilities	----- 949,591,824	----- 836,119,278
Stockholders' equity:		
Common stock, \$6 par value. Authorized 30,000,000 shares; issued and outstanding 10,673,739 shares at September 30, 2003 and 10,621,554 shares at December 31, 2002	64,050,853	63,724,507
Capital surplus	22,309,108	22,174,825
Retained earnings	21,798,965	14,283,984
Accumulated other comprehensive income - unrealized gain on securities available-for-sale - net of taxes	53,421	692,643
Total stockholders' equity	----- 108,212,347	----- 100,875,959
Total liabilities and stockholders' equity	----- \$ 1,057,804,171	----- \$ 936,995,237

</TABLE>

See accompanying notes to unaudited financial statements.

PACIFIC UNION BANK  
Statements of Operations  
For the Three and Nine Months Ended September 30, 2003 and 2002  
(Unaudited)

ENDED	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS	
	2003	2002	2003	2002
---				
<S>	<C>	<C>	<C>	<C>
Interest income:				
Interest and fees on loans	\$11,202,615	9,348,476	\$31,841,752	
27,142,726				
Dividend on Federal Home Loan Bank stock	42,886	16,186	123,014	
46,701				
Interest on securities held-to-maturity	718,348	925,123	2,355,462	964,106
Interest on securities available-for-sale	748,845	1,429,941	2,100,297	4,809,762
Interest on Federal funds sold	105,777	329,590	616,159	
932,252				
Other interest income	1,056	7,342	18,021	
15,674				
---				
Total interest income	12,819,527	12,056,658	37,054,705	
33,911,221				
Interest expense:				
Demand - interest bearing	5,870	10,778	17,351	
30,551				
Savings and money market	700,339	653,382	1,932,871	
1,839,371				
Time certificates of deposit:				
Less than \$100,000	639,468	815,624	2,018,174	
2,389,543				
\$100,000 or more	1,603,698	1,743,956	4,522,689	
4,780,060				
Other borrowings	578,169	503,576	1,781,288	
551,967				
---				
Total interest expense	3,527,544	3,727,316	10,272,373	
9,591,492				
Net interest income before provision for loan losses	9,291,983	8,329,342	26,782,332	24,319,729
Provision for loan losses	400,000	200,000	1,300,000	
400,000				
---				
Net interest income after provision for loan losses	8,891,983	8,129,342	25,482,332	23,919,729
---				
Other income:				
Service charges on deposit accounts	1,550,299	1,602,043	4,781,409	4,802,707
Remittance fees	216,391	211,466	677,710	
664,379				
Letter of credit related fees	179,636	215,455	578,363	
618,555				
Gain on sale of premise	--	--	--	
1,193,797				
Gain on sale of investment securities	100,000	--	100,000	-
-				
Gain on sale of loans	1,020,597	--	1,801,003	-
-				
Other operating income	468,870	386,333	1,353,408	
1,283,621				
---				
Total other income	3,535,793	2,415,298	9,291,893	
8,563,059				
---				
Other expenses:				
Salaries and employee benefits	3,784,154	3,108,228	10,526,824	
8,925,940				
Security guards	220,849	239,803	661,070	

715,836	Net occupancy expense	713,345	716,737	2,108,898
2,167,912	Equipment expense	330,860	312,705	1,046,496
1,043,467	Data processing	486,125	482,244	1,452,233
1,441,452	Office supplies	115,484	99,740	314,741
354,439	Legal and professional	294,888	272,362	710,049
964,974	Advertising and public relations	190,317	209,609	546,921
574,573	Communication related expense	246,880	270,779	763,937
762,856	Other operating expenses	927,824	704,253	2,333,315
1,778,042		-----	-----	-----
---	Total other expenses	7,310,726	6,416,459	20,464,484
18,729,491		-----	-----	-----
---	Income before income taxes	5,117,050	4,128,181	14,309,741
13,753,297				
	Income taxes	2,050,000	1,491,000	5,728,000
5,337,000		-----	-----	-----
---	Net income	\$ 3,067,050	2,637,181	\$ 8,581,741
8,416,297		=====	=====	=====
=====				
	Net income per share:			
	Basic	\$ 0.29	0.25	\$ 0.81
0.79				
	Diluted	\$ 0.29	0.25	\$ 0.80
0.79				
	Weighted-average common shares outstanding:			
	Basic	10,669,716	10,621,554	10,645,963
10,614,150				
	Diluted	10,729,797	10,703,296	10,715,290
10,703,988				

See accompanying notes to financial statements

PACIFIC UNION BANK  
Statements of Cash Flows  
For the Nine Months Ended September 30, 2003 and 2002  
(Unaudited)

<TABLE>			
<CAPTION>			
			09/30/2003
09/30/2002			-----
----			-----
<S>		<C>	<C>
Cash flows from operating activities:			
Net income		\$ 8,581,741	\$
8,416,297			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expenses		927,150	
1,038,641			
Provision for loan losses		1,300,000	
400,000			
Accretion of discount and amortization of premium on securities held-to-maturity, net		(121,424)	
(888,413)			
Accretion of discount and amortization of premium on securities available-for-sale, net		(654,698)	
57,446			
Net loss (gain) on disposal of Bank premises and equipment		9,943	
(1,200,897)			
Gain on sale of loans		(1,801,003)	
--			
Origination of loans held for sale		(30,974,418)	
--			
Proceeds from sale of loans held for sale		33,095,363	
--			

Decrease (Increase) in accrued interest receivable	64,415	
(536,705)		
(Increase) decrease in deferred income taxes	(724,220)	
326,252		
Increase in income taxes receivable	(450,504)	
(1,046,517)		
Stock dividend on Federal Home Loan Bank stock	(127,700)	
(64,900)		
Increase in other assets	(1,101,588)	
(234,957)		
Increase (decrease) in accrued interest payable	95,559	
(1,627,050)		
(Decrease) increase in other liabilities	(257,728)	
336,137		
----	-----	-----
Net cash provided by operating activities	7,860,888	
4,975,334		
----	-----	-----
Cash flows from investing activities:		
Increase in Federal Home Loan Bank Stock	(2,124,000)	
(1,931,300)		
Proceeds from maturities and redemptions of securities held-to-maturity	46,128,693	
2,451,925		
Proceeds from maturities and redemptions of securities available-for-sale	69,636,759	
49,297,215		
Purchase of securities held-to-maturity	(24,965,134)	
(100,474,411)		
Purchase of securities available-for-sale	(99,734,441)	
(16,172,981)		
Proceeds from recoveries of written-off loans	325,583	
97,550		
Net increase in loans	(149,151,830)	
(83,956,899)		
Purchases of Bank premises and equipment	(714,161)	
(584,094)		
Proceeds from sale of Bank premises and equipment	--	
3,574,300		
----	-----	-----
Net cash used in investing activities	(160,598,531)	
(147,698,695)		
----	-----	-----
Cash flows from financing activities:		
Net increase in demand deposits, non-interest-bearing	19,150,951	
25,580,380		
Net increase in demand deposits, interest-bearing	1,004,932	
1,551,020		
Net increase in money market and savings deposits	13,460,683	
33,580,966		
Net increase in time certificates of deposit	44,354,767	
21,338,785		
Proceeds in other borrowed funds	35,000,000	
70,000,000		
Proceeds from exercise of stock options	460,629	
148,248		
Cash dividend paid	(1,066,760)	
--		
Cash paid for fractional shares	--	
(425)		
----	-----	-----
Net cash provided by financing activities	112,365,202	
152,198,974		
----	-----	-----
Net (decrease) increase in cash and cash equivalents	(40,372,441)	
9,475,613		
Cash and cash equivalents at beginning of period	86,765,173	
68,073,953		
----	-----	-----
Cash and cash equivalents at end of period	\$ 46,392,732	\$
77,549,566		
=====	=====	
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 10,176,814	\$
11,218,543		
Income taxes	\$ 7,800,000	\$
5,837,000		

Supplemental disclosure of non-cash investing & financing activities:			
Transfer of retained earnings to common stock and capital surplus for Stock dividend	\$	--	\$
13,070,291			
Transfer in of loans held for sale	\$	5,966,111	\$
2,272,624			

See accompanying notes to unaudited financial statements.

PACIFIC UNION BANK  
NOTES TO FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Pacific Union Bank ("Bank") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United State of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

2. COMPREHENSIVE INCOME

Comprehensive income consists of net income and net unrealized gain (loss) on securities available-for-sale. The comprehensive income amounted to \$7.9 million, which included net income of \$8.6 million and a decrease in unrealized gain of \$639,000, which is net of the tax effect of \$470,000 for the nine months ended September 30, 2003. The comprehensive income amounted to \$8.3 million, which included net income of \$8.4 million and a decrease in unrealized gain of \$150,000, which is net of the tax effect of \$243,000 for the nine months ended September 30, 2002.

3. EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted per share computation for the three months ended September 30, 2003 and 2002.

<TABLE>  
<CAPTION>

	NET INCOME (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
2003			
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$3,067,050	10,669,716	\$ 0.29
Effect of Dilutive Stock Options	--	60,081	--
Diluted EPS -			
Income available to common stockholders	\$3,067,050	10,729,797	\$ 0.29

</TABLE>

<TABLE>  
<CAPTION>

	NET INCOME (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
2002			
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$2,637,181	10,621,554	\$ 0.25
Effect of Dilutive Stock Options	--	81,742	--
Diluted EPS -			
Income available to common stockholders	\$2,637,181	10,703,296	\$ 0.25

</TABLE>

The following is a reconciliation of the numerators and denominators of the basic and diluted per share computation for the nine months ended September 30, 2003 and 2002.

<TABLE>  
<CAPTION>

	NET INCOME (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
2003			
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$ 8,581,741	10,645,963	0.81
Effect of Dilutive Stock Options	--	69,328	(0.01)
Diluted EPS -			
Income available to common stockholders	\$ 8,581,741	10,715,290	0.80

</TABLE>

<TABLE>  
<CAPTION>

	NET INCOME (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
2002			
<S>	<C>	<C>	<C>
Basic EPS -			
Income available to common stockholders	\$8,416,297	10,614,150	\$ 0.79
Effect of Dilutive Stock Options	--	89,838	--
Diluted EPS -			
Income available to common stockholders	\$8,416,297	10,703,988	\$ 0.79

</TABLE>

#### 4. CAPITAL TRANSACTIONS

The Bank's outstanding number of shares was 10,673,739 at September 30, 2003. The Bank has declared a quarterly cash dividend of \$0.05 per common share on October 27, 2003. The cash dividend will be paid on November 28, 2003 to all shareholders of record as of November 17, 2003.

#### 5. 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 nine months ended September 30, 2003 and September 30, 2002 would have been reduced to the pro forma amounts indicated below.

<TABLE>  
<CAPTION>

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPT. 30, 2003	SEPT. 30, 2002	SEPT. 30, 2003	SEPT. 30, 2002
<S>	<C>	<C>	<C>	<C>
Net Income:				
As reported	\$ 3,067,050	\$ 2,637,181	\$ 8,581,741	\$ 8,416,297
Stock based compensation expense	(16,636)	(18,372)	(45,555)	(41,418)
Pro-forma	3,050,414	2,618,809	8,536,186	8,374,879
Earnings per share:				
As reported:				
Basic	\$ 0.29	\$ 0.25	\$ 0.81	\$ 0.79
Diluted	0.29	0.25	0.80	0.79
Pro-forma:				
Basic	\$ 0.29	\$ 0.25	\$ 0.80	\$ 0.79
Diluted	0.28	0.24	0.80	0.78

</TABLE>

#### 6. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2002, Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure-An Amendment of SFAS No. 123 (SFAS No. 148) was issued. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), to provide alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in not only annual, but also interim financial statements about the effect the fair value method would have had on reported results. The transition and annual disclosure requirements of SFAS No. 148 are effective for fiscal years ending

after December 15, 2002. The interim disclosure requirements are effective for interim periods beginning after December 15, 2002. It is anticipated that the financial impact of SFAS 148 will not have a material effect on the Bank.

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 addresses consolidation by business enterprises of variable interest entities and clarifies 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. The FASB deferred the effective date for applying the provision of FIN 46 for interests held by public entities in variable interest entities or potential variable interest entities created before February 1, 2003 until the end of the first interim or annual period after December 15, 2003. Certain disclosure requirements apply in all financial statements issued after January 1, 2003, regardless when the variable interest entity was established. The Bank has no business interests that require consolidation or deconsolidation as a result of applying provisions of FIN 46.

In April, 2003, The Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149") was issued. SFAS No. 149 clarifies and amends financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). In general, SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The financial impact of SFAS 149 did not have a material effect on the Bank.

In May, 2003, Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150") was issued. FASB No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity that have been presented either entirely as equity or between the liabilities section and the equity section of the statement of financial position. Generally, SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after September 15, 2003. SFAS 150 is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before May 15, 2003 and still existing at the beginning of the interim period of adoption. The financial impact of SFAS 150 did not have a material effect on the Bank.

#### 7. SUBSEQUENT EVENT

Korea Exchange Bank ("KEB"), which holds approximately 62% of the Bank's outstanding shares, recently accepted a capital infusion from Lone Star Fund IV (U.S.), L.P. and its affiliates (collectively, "Lone Star"), which resulted in Lone Star holding a majority of the outstanding voting stock of KEB. In connection with the infusion, KEB transferred all of the Bank shares that it owns to a trust pursuant to a trust agreement dated October 31, 2003, which was entered into between KEB, as grantor and Mr. L. Dale Crandall, as trustee. While KEB retains all of the economic interest in the Bank shares transferred to the trust, the trust agreement gives the trustee voting and dispositive power over the Bank shares and directs the trustee to dispose of all or substantially all of such interest either directly through a sale or in connection with a merger or similar transaction of the Bank with a third party. The transfer of the shares to the trustee does not affect the Bank's day-to-day business and operations.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis includes forward-looking statements regarding management's beliefs, projections and assumptions concerning future results and events. When used the words "anticipate", "believe", "estimate", "expect", and "intend" and words or phrases of similar meanings as they relate to the Bank or the Bank's management, are intended to identify forward-looking statements. These statements are not guarantees and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Bank to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, governmental policies and actions of regulatory agencies, costs associated with the Bank's future expansion, competition from other commercial banks and other competition and market and general economic factors. Given these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements, which speak as of the date hereof. All forward-looking statements

contained in this Form 10-Q are qualified in their entirety by this cautionary statement.

The following discussion and analysis is intended to provide details of the results of operations of the Bank for the three months and nine months ended September 30, 2003 and 2002 and financial condition at September 30, 2003 and at December 31, 2002. The following discussion should be read in conjunction with Annual Report on Form 10-K/A for the year ended December 31, 2002 filed with the Federal Deposit Insurance Corporation in particular as it relates to the critical accounting policies as discussed in item 14 of the Form 10-K/A.

#### RESULTS OF OPERATIONS

Net income for the quarter ended September 30, 2003 increased by \$430,000 or 16.3% to \$3.1 million compared to \$2.6 million for the same period in 2002. Diluted earnings per share increased by 16.0% to \$0.29 for the three months ended September 30, 2003 compared with \$0.25 for the correspondent period of 2002.

The annualized return on average assets ("ROA") and return on average stockholders' equity ("ROE") were 1.16% and 11.52%, respectively, for the third quarter of 2003, compared to 1.17% and 11.06%, respectively, for the same period of 2002.

Net Income increased by \$165,000 or 2.0 % to \$8.6 million for the nine months ended September 30, 2003 compared to \$8.4 million for the same period of 2002. Diluted earnings per share increased to \$0.80 for the nine months ended September 30, 2003 compared to \$0.79 for the same period of 2002. The annualized ROA and ROE for nine months ended September 30, 2003 were 1.12% and 10.99%, respectively, compared to 1.34% and 12.14%, respectively, for the same period of 2002.

#### NET INTEREST INCOME

The Bank's primary source of income is net interest income, which is the difference between interest income from interest-earning assets and interest paid on interest-bearing liabilities, such as deposits and other borrowings used to fund those assets. The Bank's net interest income is affected by changes in the volume of interest-earning assets and interest-bearing liabilities as well as by changes in yield earned on interest-earning assets and rates paid on interest-bearing liabilities. The Bank also generates non-interest income, including the service charges on deposit accounts and other transactional fees. The Bank's non-interest expenses consist primarily of personnel, occupancy and equipment expense and other operating expenses. The Bank's results of operations are affected by its provision for loan losses and may also be significantly affected by other factors including general economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory agencies.

Net interest income before the provision for the loan losses increased by \$963,000 or 11.56% to \$9.3 million in the third quarter of 2003, compared to \$8.3 million in the same quarter of 2002. Total interest income increased by \$764,000 or 6.33% to \$12.8 million in the third quarter of 2003, compared to \$12.1 million in the same quarter of 2002 primarily due to an increase of \$1.9 million in interest and fees on loans and partially offset by a \$888,000 decrease in interest on investment securities.

The increase in interest income is primarily due to the average volume increase of \$148.5 million or 17.20% in interest earning-assets to \$1 billion in the third quarter of 2003 from \$863.0 million in the same quarter of 2002. The major increase in interest earning-assets is primarily due to the increase in the average loans, including loans held for sale, which loans grew \$202.1 million or 33.86% to \$798.9 million in the third quarter of 2003 compared to \$596.8 million for the corresponding quarter of 2002. The yield on average interest earning-assets was 5.02% in the third quarter of 2003 compared to 5.49% in the same quarter of 2002. Offsetting the increase in average net loans, the yield on average loans, including loans held for sale, decreased by 58 basis points to 5.55% in the third quarter of 2003 from 6.13% in the same quarter of 2002, which negatively affected loan interest income. The decrease in the loan yield was mainly due to a decrease in the average prime rate of 75 basis points in the third quarter of 2003 compared to the same period of prior year.

Total interest expense decreased by \$200,000 or 5.34% to \$3.5 million for the third quarter of 2003 compared to \$3.7 million for the same quarter of 2002. The decrease is mainly due to a decreased interest expense of \$176,000 from Time Certificates of Deposit less than \$100,000. Average money market deposits increased \$69.6 million or 62.65% to \$180.8 million in the third quarter of 2003 compared with \$111.2 million for the corresponding period of 2002. The cost of money market deposits decreased 65 basis points to 1.39% for the third quarter of 2003 from 2.04% for the corresponding period of 2002. Average time certificates of deposit of \$100,000 or more increased \$31.8 million or 12.20% to \$292.0 million in the third quarter of 2003 compared with \$260.3 million for the corresponding period of 2002. The cost of average time certificates of deposit of \$100,000 or more decreased 46 basis points to 2.20%

in the third quarter of 2003 from 2.66% in the corresponding quarter of 2002. The cost of funds decreased 34 basis points to 1.50% in the third quarter of 2003 compared with 1.84% in the same quarter of 2002.

Net interest income before provision for loan losses increased \$2.5 million or 10.12% to \$26.8 million for the nine months ended September 30, 2003 compared to \$24.3 million for the same period of 2002. Total interest income increased by \$3.1 million or 9.27% to \$37.1 million for the nine months ended September 30, 2003 compared with \$33.9 million in the same period in 2002. The increase in total interest income was primarily due to a \$4.7 million increase in interest on loans and partially offset by a \$1.3 million decrease in interest on investment securities. The average net loans, including loans held for sale, for the first nine months of 2003 increased by \$170.1 million to \$745.2 million compared with \$575.0 million for the same period of 2002.

Total interest expense increased by \$681,000 or 7.10% to \$10.3 million for the nine months ended September 30, 2003, compared with \$9.6 million for the corresponding period of 2002. The increase was primarily attributable to a \$1.2 million increase in interest on Federal Home Loan Bank advances. The average balance of Federal Home Loan Bank advances increased by \$47.7 million to \$68.6 million in the first nine months of 2003 compared to \$20.1 million in the same period of 2002. The increase in interest on Federal Home Loan Bank advances was partially offset by a \$257,000 decrease in interest expense from Time Certificates of Deposit \$100,000 or more.

#### NET INTEREST MARGIN

Net interest margin decreased by 19 basis points to 3.67% for the third quarter of 2003 compared to 3.86% for the corresponding period of 2002. The decrease in net interest margin was primarily attributable to the decrease in the average interest-earning assets yield of 47 basis points to 5.02% in the third quarter of 2003 compared with 5.49% in the same quarter of 2002. The decrease in the average interest-earning assets yield was offset by the cost of funds decrease of 34 basis points to 1.50% in the third quarter of 2003 from 1.84% in the corresponding quarter of 2002.

Net interest margin decreased by 41 basis points or 10.05% to 3.67% for the nine months ended September 30, 2003 compared to 4.08% for the corresponding period of 2002. The decrease in net interest margin was primarily attributable to the decrease in the average interest-earning assets yield of 60 basis points to 5.03% for the nine months ended September 30, 2003 compared with 5.63% in the same period of 2002. The decrease in the average interest-earning assets yield was offset by the cost of funds decrease of 21 basis points to 1.52% for the nine months ended September 30, 2003 from 1.73% in the corresponding period of 2002.

The following table presents condensed average balance sheet information for the Bank, together with interest rates earned and paid on the various sources and uses of funds for each of the periods indicated:

#### DISTRIBUTION, YIELD AND RATE ANALYSIS OF NET INCOME (DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

Months Ended	For the Three Months Ended				For the Three		
	September 30, 2003				September 30,		
2002							
	-----				-----		
Average	Average		Average	% to	Average		
Rate/	Balance	Income/	Rate/	Earning	Balance	Income/	
Yield(1)	Balance	Expense	Yield(45)	Assets	Balance	Expense	
	-----	-----	-----	-----	-----	-----	---
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:							
Interest-earning assets:							
Loans, net(46)	\$ 798,906	11,203	5.55%	78.98%	\$ 596,800	9,348	
6.13%							
Federal Home Loan Bank stock	4,246	43	4.05%	0.42%	2,853	17	
2.38%							
Taxable investment securities(47)							
U.S. Treasury Securities	1,004	23	9.16%	0.10%	1,008	15	
5.95%							
U.S. Governmental Agencies	161,742	1,444	3.57%	15.99%	183,461	2,338	
5.10%							
Tax-exempt Investment Securities:							

State & Municipal Obligation	0	0	0	0	200	2
4.00% 0.02%						
Federal funds sold	45,129	106	0.93%	4.46%	76,648	329
1.68% 8.88%						
Interest-earning deposits	479	1	0.84%	0.05%	2,066	7
1.34% 0.24%						
-----						
Total interest-earning assets	1,011,506	12,820	5.02%	100.00%	863,036	12,056
5.49% 100.00%						
-----						
Non-interest-earning assets:						
Cash and due from banks	23,394				23,441	
Premises and equipment, net	6,260				6,699	
Other real estate owned	0				0	
Customers' acceptance liabilities	1,713				1,678	
Accrued interest receivable	3,298				3,433	
Other assets	9,943				5,450	
-----						
Total non-interest-earning assets	44,608				40,701	
-----						
Total assets	\$ 1,056,114				\$ 903,737	
=====					=====	
LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing liabilities:						
Deposits:						
Money market	\$ 180,813	\$ 625	1.39%		\$ 111,170	571
2.04%						
Super NOW	8,000	6	0.30%		7,800	11
0.56%						
Savings	46,406	75	0.65%		43,481	82
0.75%						
Time certificates of deposit of \$100,000 or more	292,040	1,605	2.20%		260,284	1,744
2.66%						
Other time certificates of deposit	108,078	639	2.37%		105,843	815
3.05%						
Other borrowings	65,765	578	3.48%		57,066	504
3.46%						
-----						
Total interest-bearing liabilities	701,102	3,528	2.02%		585,644	3,727
2.52%						
-----						
Non-interest-bearing liabilities:						
Demand deposits	241,197				215,886	
Other liabilities	7,350				6,879	
-----						
Total non-interest-bearing liabilities	248,547		1.50%		222,765	
1.84%						
-----						
Stockholders' equity	106,465				95,328	
-----						
Total liabilities and stockholders' equity	\$ 1,056,114				\$ 903,737	
=====					=====	
Net interest income		\$ 9,292				8,329
		=====				=====
Net interest spread(48)			3.00%			
2.97%						
=====						
Annualized net interest margin(49)			3.67%			
3.86%						
=====						
Ratio of average interest-bearing assets to average interest-bearing liabilities			144.27%			
147.37%						
=====						

</TABLE>

DISTRIBUTION, YIELD AND RATE ANALYSIS OF NET INCOME  
(DOLLARS IN THOUSANDS)

(45) Average rates/yields for these periods have been annualized.

(46) Loan includes loans held for sale and 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 \$1.6 million and \$1.3 million at September 30, 2003 and 2002.

(47) Yields on tax-exempt income have not been computed on a tax equivalent basis because tax-exempt securities are minimal.

(48) Represents the average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.

(49) Represents net interest income as a percentage of average interest-earning assets.

<TABLE>  
<CAPTION>

Months Ended	For the Nine Months Ended				For the Nine		
	September 30, 2003				September 30,		
2002							
	-----				-----		
Average			Average	% to			
Rate/			Rate/	Earning			
Yield(1)			Yield(50)	Assets			
<S>	<C>		<C>	<C>	<C>		<C>
<C>	<C>		<C>	<C>	<C>		<C>
<b>ASSETS:</b>							
Interest-earning assets:							
Loans, net(51)	\$	745,169	\$	31,841	5.63%	76.59%	\$ 575,031 27,143
6.22%		72.31%					
Federal Home Loan Bank stock		3,799		123	4.32%	0.39%	1,974 47
3.17%		0.25%					
Taxable investment securities(52)							
U.S. Treasury Securities		2,360		56	3.16%	0.24%	1,329 59
5.92%		0.17%					
U.S. Governmental Agencies		147,686		4,400	3.97%	15.18%	141,926 5,709
5.36%		17.85%					
Tax-exempt Investment Securities:							
State & Municipal Obligation		0		0			199 6
3.86%		0.03%					
Federal funds sold		71,282		616	1.14%	7.33%	73,397 932
1.67%		9.23%					
Interest-earning deposits		2,612		18	0.92%	0.27%	1,427 15
1.41%		0.18%					
-----							
Total interest-earning assets		972,908		37,054	5.03%	100.00%	795,283 33,911
5.63%		100.00%					
-----							
Non-interest-earning assets:							
Cash and due from banks		23,663					25,791
Premises and equipment, net		6,344					8,177
Other real estate owned		0					0
Customers' acceptance liabilities		1,310					
-----							
Accrued interest receivable		3,242					1,172 3,364
Other assets		9,662					4,973
-----							
Total non-interest-earning assets		44,221					43,477
-----							
Total assets	\$	1,017,129					\$ 838,760
=====							
<b>LIABILITIES AND STOCKHOLDERS'</b>							
<b>EQUITY:</b>							
Interest-bearing liabilities:							
Deposits:							
Money market	\$	170,541	\$	1,847	1.45%		\$ 111,378 1,601
1.92%							
Super NOW		7,710		17	0.29%		7,331 31
0.57%							
Savings		45,973		86	0.25%		42,658 238

0.75%	Time certificates of deposit of \$100,000 or more	272,647	4,523	2.22%	246,633	4,780
2.59%	Other time certificates of deposit	107,125	2,018	2.52%	103,245	2,389
3.09%						
	Other borrowings	68,583	1,781	3.42%	20,926	552
3.48%						
	Total interest-bearing liabilities	672,579	10,272	2.04%	532,171	9,591
2.41%						
	Non-interest-bearing liabilities:					
	Demand deposits	233,447			208,080	
	Other liabilities	7,013			6,040	
	Total non-interest-bearing liabilities	240,460		1.52%	214,120	
1.73%						
	Stockholders' equity	104,090			92,469	
	Total liabilities and stockholders' equity	\$ 1,017,129			\$ 838,760	
	Net interest income		\$ 26,782			24,320
			=====			=====
	Net interest spread(53)			2.99%		
3.22%						
				=====		
	Annualized net interest margin(54)			3.67%		
4.08%						
				=====		
	Ratio of average interest-bearing assets to average interest-bearing liabilities			144.65%		
149.44%						
				=====		

</TABLE>

(50) Average rates/yields for these periods have been annualized.

(51) Loan includes loans held for sale and 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 \$1.6 million and \$1.3 million at September 30, 2003 and 2002.

(52) Yields on tax-exempt income have not been computed on a tax equivalent basis because tax-exempt securities are minimal.

(53) Represents the average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.

(54) 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:

<TABLE>  
<CAPTION>

	FOR THE NINE MONTH ENDED SEPTEMBER 30, 2003 VS. 2002		
	INCREASES (DECREASES) DUE TO CHANGE IN		
	VOLUME	RATE(1)	TOTAL
	-----	-----	-----
		(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>	<C>

## EARNING ASSETS:

## INTEREST INCOME:

Loans, net (2).....	\$7,455	(2,757)	4,698
Federal Home Loan Bank stock...	55	21	76
Taxable investment securities:			
U. S. Treasury securities....	32	(35)	(3)
U. S. Government agencies....	224	(1,533)	(1,309)
Tax-exempt securities:(3)			
State and Municipal Obligation	(6)	-	(6)
Federal funds sold.....	(26)	(290)	(316)
Interest-earning deposits.....	9	(6)	3
	-----	-----	-----
Total net change			
in interest income....	\$7,743	(\$4,600)	\$3,143
	-----	-----	-----

## DEPOSITS AND BORROWED FUNDS:

## INTEREST EXPENSE:

Money market deposits.....	707	(461)	246
Super NOW.....	2	(15)	(13)
Savings deposits.....	17	(169)	(152)
Time certificates of deposit in			
denominations of \$100,000			
or more.....	473	(731)	(258)
Other time deposits.....	87	(458)	(371)
Other borrowings.....	1,237	(8)	1,229
	-----	-----	-----
Total net change			
in interest expense....	2,523	(1,842)	681
	-----	-----	-----
Change in net interest income....	\$5,220	(\$2,758)	\$2,462
	=====	=====	=====

&lt;/TABLE&gt;

## PROVISION FOR LOAN LOSSES

Provisions for loan losses are made monthly, to cover incurred losses as a result of credit risks. 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 incurred losses inherent in the Bank's loan portfolio.

For the third quarter of 2003 the provision for loan losses amounted to \$400,000 compared with \$200,000 in the corresponding period of 2002. The provision for loan losses amounted to \$1,300,000 for the nine months ended September 30, 2003 compared with \$400,000 for the same period of 2002. The increase was mainly attributable to a strong loan growth in 2003. On a quarterly basis, management performs an analysis of the adequacy of the allowance for loan losses. The results of this analysis for the quarter ended September 30, 2003 determined that the allowance was adequate to absorb incurred losses inherent in the portfolio. The procedures for monitoring the adequacy of the

(1) Rates for these periods on which calculations are based have been annualized.

(2) Loan fees net of direct cost have been included in the calculation of interest income. Loan fees were \$571,000 and \$436,000 for the nine months ended September 30, 2003 and 2002, respectively. Loans are net of the allowance for loan losses, deferred fees and related direct costs.

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

allowance, as well as detailed information concerning the allowance itself, are included below under "Allowance for loan losses."

## NON-INTEREST INCOME

Non-interest income increased \$1.1 million or 46.42% to \$3.5 million in the third quarter of 2003 compared to \$2.4 million in the same quarter of 2002. The increase resulted mainly from a \$1.0 million gain recognized from the sale of SBA loans, a \$100,000 gain recognized from the sale of investment securities and a \$83,000 increase in other operating income in the third quarter of 2003. The other operating income consists of credit card related fees, mortgage loan related fees, merchant discount fees, remittance and cable fees and other various fees. The increase was partially offset by a decrease of \$52,000 on service charges on deposit accounts in the third quarter of 2003.

Non-interest income increased \$729,000 or 8.51% to \$9.3 million for the nine months of 2003 compared to \$8.6 million in the same period of 2002. The increase resulted mainly from a \$1.8 million gain recognized from the sale of

loans during the first nine months of 2003 and was partially offset by a decrease of \$1.2 million on the sale of San Francisco premises during the first nine months of 2002. The Bank is planning to continue to originate and sell the guaranteed portion of SBA loans in the last quarter of 2003.

The following table sets forth the various components of the Bank's non-interest income for the periods indicated:

NON-INTEREST INCOME  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Three Months Ended		Increase (Decrease)	
	09/30/03	09/30/02	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Service charges on deposit accounts	\$ 1,550	\$ 1,602	\$ (52)	(3.25)%
Remittance fees	216	211	5	2.37
Letter of credit related fees	180	216	(36)	(16.67)
Gain on sale of loans	1,021	--	1,021	NMV
Gain on sale of investment securities	100	--	100	NMV
Other operating income	469	386	83	21.50
<b>Total</b>	<b>\$ 3,536</b>	<b>\$ 2,415</b>	<b>\$ 1,121</b>	<b>46.42%</b>

</TABLE>

<TABLE>  
<CAPTION>

	Nine Months Ended		Increase (Decrease)	
	09/30/03	09/30/02	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Service charges on deposit accounts	\$ 4,781	\$ 4,803	\$ (22)	(0.46)%
Remittance fees	678	664	14	2.11
Letter of credit related fees	578	619	(41)	(6.05)
Gain on sale of premise	--	1,194	(1,194)	(100.00)
Gain on sale of loans	1,801	--	1,801	NMV
Other operating income	1,354	1,283	71	5.53
Gain on sale of investment securities	100	--	100	NMV
<b>Total</b>	<b>\$ 9,292</b>	<b>\$ 8,563</b>	<b>\$ 729</b>	<b>8.51%</b>

</TABLE>

NON-INTEREST EXPENSE

Non-interest expense increased by \$895,000 or 13.95% to \$7.3 million in the third quarter of 2003, compared to \$6.4 million in the corresponding quarter of 2002. The increase is mainly attributable to an increase of \$676,000 in salaries and employee benefits and a \$225,000 increase in other expenses offset by a decrease of \$24,000 in communication related expenses and a decrease of \$20,000 in advertising and public relations. An increase in salaries and employee benefits was mainly attributable to the increase in number of employees, medical expenses and annual bonus accrual for 2003. Other operating expenses consist of other loan related expenses, regulatory assessment expenses, employee related fees and other outside fees. The efficiency ratio for the third quarter of 2003 was 56.99% compared to 59.72% for the corresponding quarter of 2002.

Non-interest expense increased by \$1.7 million or 9.26% to \$20.5 million for the nine months ended September 30, 2003, compared to \$18.7 million in the corresponding period of 2002. The increase is mainly attributable to an increase of \$1.6 million in salaries and employee benefits and an increase of \$555,000 in other operating expenses. The increase in salaries and employee benefits mainly resulted from the increases in number of employees, medical expenses and annual bonus accrual for 2003. The efficiency ratio for the nine months of 2003 was 56.73% compared to 56.96% for the corresponding period of 2002.

The following table presents the components of the non-interest expense with the amount and percentage changes for the periods indicated:

NON-INTEREST EXPENSE  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Three Months Ended		Increase / (Decrease)	
	09/30/03	09/30/02	Amount	Percent (%)

<S>	<C>	<C>	<C>	<C>
Salaries and employee benefits	\$ 3,784	\$ 3,108	\$ 676	21.75%
Security guards	221	240	(19)	(7.90)
Net occupancy expense	713	717	(4)	(0.47)
Equipment expense	331	313	18	5.81
Data processing	486	482	4	0.80
Office supplies	115	99	16	15.79
Legal and professional	295	272	23	8.27
Advertising and public relations	190	210	(20)	(9.20)
Communication expenses	247	271	(24)	(8.83)
Other operating expenses	929	704	225	31.75
Total	\$ 7,311	\$ 6,416	\$ 895	13.94%

</TABLE>

<TABLE>  
<CAPTION>

<S>	Nine Months Ended		Increase / (Decrease)	
	09/30/03	09/30/02	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Salaries and employee benefits	\$ 10,527	8,926	\$ 1,601	17.94%
Security guards	661	716	(55)	(7.65)
Net occupancy expense	2,109	2,168	(59)	(2.72)
Equipment expense	1,046	1,043	3	0.29
Data processing	1,452	1,441	11	0.75
Office supplies	315	354	(40)	(11.20)
Legal and professional	710	965	(254)	(26.42)
Advertising and public relations	547	575	(28)	(4.81)
Communication related expense	764	763	1	0.14
Other operating expenses	2,333	1,778	555	31.23
Total	\$ 20,464	18,729	\$ 1,735	9.26%

</TABLE>

#### INCOME TAX

The effective tax rate for the third quarter of 2003 was 40.06% compared to 36.12% for the same period of 2002. The effective tax rate for the nine months ended September 30, 2003 was 40.03% compared to 38.81% for the same period of 2002. 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.

The Bank files its California tax return using the Water's Edge Unitary method. When computing its California franchise tax liability, the California law requires that the Bank consider the taxable income allocated from estimated combined net taxable income using the apportionment factor of property, payroll and revenues over combined property, payroll and revenue of its foreign-owned majority shareholder.

#### FINANCIAL CONDITION

The Bank's total assets were \$1.1 billion at September 30, 2003, an increase of \$120.8 million or 12.89% from the \$937.0 million at December 31, 2002. The net increase is attributable to a \$148.3 million or 21.71% increase in total gross loans, including loans held for sale, and offset by a \$38.0 million or 60.8% decrease in Federal funds sold and a decrease of \$2.6 million or 10.92% in cash and due from banks. Total deposits increased by \$78.0 million or 10.26% to \$838.0 million at September 30, 2003 from \$760.0 million at December 31, 2002. Time certificates of deposit of \$100,000 or more increased \$47.6 million or 18.40% to \$306.3 million at September 30, 2003 from \$258.7 million at December 31, 2003. Noninterest bearing deposits increased \$19.2 million or 8.57% to \$242.5 million at September 30, 2003 from \$223.4 million at December 31, 2003. Money market deposits and savings deposits increased \$13.5 million or 7.90% to \$183.9 million at September 30, 2003 from \$170.5 million from December 31, 2002. The Bank's borrowings from the Federal Home Loan Bank were \$105.0 million at September 30, 2003 compared to \$70.0 million at December 31, 2002. Stockholders' equity increased \$7.3 million or 7.27% to \$108.2 million at September 30, 2003 from \$100.9 million at December 31, 2002.

#### INTEREST-EARNING ASSET MIX

Total earning assets amounted to \$1.0 billion at September 30, 2003, compared with \$894.5 million at December 31, 2002, representing an increase of \$120.3 million or 13.45%. The composition of the earning assets changed slightly at September 30, 2003 compared with December 31, 2002. The net loans as a percentage of total earning assets increased 7.39% to 80.95% and the percentage of Federal funds sold to the total earning assets decreased 65.45% to 2.41% at September 30, 2003 compared to December 31, 2002. On an average basis,

interest-earning assets amounted to \$1.0 billion, an increase of \$148.5 million or 17.21% for the three months ended September 30, 2003 compared to \$863.0 million for the same period of 2002. On an average basis, interest-earning assets amounted to \$972.9 million, an increase of \$177.6 million or 22.33% for the first nine months of 2003 compared to \$795.3 million for the same period of 2002.

The table below shows the changes in the earning asset mix as of the dates indicated:

<TABLE>  
<CAPTION>

Types of earning assets	(Dollars in thousands)			
	As of 09/30/03		As of 12/31/02	
	Amount	Percent (%)	Amount	Percent (%)
<S>	<C>	<C>	<C>	<C>
Federal funds sold	\$ 24,500	2.41%	\$ 62,500	6.99%
Federal Home Loan Bank stock	5,790	0.57	3,538	0.40
Securities held-to-maturity	68,272	6.73	89,314	9.98
Securities available-for-sale	94,345	9.30	64,701	7.23
Net loans, including loans available for sale	821,464	80.95	674,258	75.38
Interest-bearing due from banks	466	0.04	211	0.02
Total earning assets	\$ 1,014,837	100.00%	\$ 894,522	100.00%

</TABLE>

#### SECURITIES

The Bank classifies its securities as held-to-maturity or available-for-sale. The securities classified as held-to-maturity are those that the Bank has the positive intent and ability to hold until maturity. These securities are carried at amortized cost. The securities that could be sold in response to changes in interest rate, increased loan demand, liquidity needs, capital requirements or other similar factors, are classified as securities available-for-sale. These securities are carried at fair value, with unrealized gains or losses reflected net of tax as a component of comprehensive income. Accumulated other comprehensive income (net of tax) at September 30, 2003 was \$53,421.

Total investment securities increased \$8.6 million or 5.59% to \$162.6 million at September 30, 2003 from \$154.0 million at December 31, 2002. During the third quarter of 2003, the Bank purchased available-for-sale securities in the amount of \$31.9 million.

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

#### INVESTMENT PORTFOLIO (Dollars in thousands)

<TABLE>  
<CAPTION>

	As of 09/30/03		As of 12/31/02	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE:				
U.S. Treasury securities	\$ 1,002	\$ 1,043	\$ 1,003	\$ 1,074
U.S. Government agencies	39,730	39,826	25,996	26,290
Mortgage-backed securities (1)	50,509	50,469	34,000	34,730
State and political subdivision	3,018	3,007	2,507	2,607
Total available-for-sale	\$ 94,259	\$ 94,345	\$ 63,506	\$ 64,701
HELD-TO-MATURITY:				
Mortgage-backed securities (1)	68,272	68,323	89,314	90,799
Total held-to-maturity	68,272	68,323	89,314	90,799
Total investment securities	\$ 162,531	\$ 162,668	\$ 152,820	\$ 155,500

</TABLE>

(1) Principal balance may be prepaid before contracted maturity date.

The following table summarizes the monthly and repricing schedule of

the Bank's investment securities at their carrying values and their average weighted yield at September 30, 2003.

INVESTMENT MATURITIES AND REPRICING SCHEDULE  
(Dollars in thousands)  
As of September 30, 2003

<TABLE>  
<CAPTION>

		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)	Amount	Yield(1)
-----									
Total									
-----									
AVAILABLE-FOR-SALE:									
U.S. Treasury securities	\$ 1,043	5.82%	\$		%	\$	-	-%	\$
1,043	5.82%								
U.S. Government agencies			34,904	2.83		4,922	3.00	-	-
39,826	2.85								
Mortgage-backed securities(2)	14,596	3.24	5,673	6.07	14,887	3.86	15,313	4.34	
50,469	4.07								
State and political subdivisions	-	-	1,029	6.17	1,978	2.76			
3,007	3.93								
-----									
Total available-for-sale	\$ 15,639	3.41%	\$ 41,606	3.35%	\$ 21,787	3.56%	\$ 15,313	4.34%	\$
94,345	3.57%								
=====									
HELD-TO-MATURITY:									
Mortgage-backed securities(2)	-	-	58,652	4.10	-	-	9,620	3.98	
68,272	4.09								
-----									
Total held-to-maturity	-	-	58,652	4.10	-	-	9,620	3.98	
68,272	4.09								
-----									
Total investment securities	\$ 15,639	3.41%	\$100,258	3.79%	\$ 21,787	3.56%	\$ 24,933	4.20%	
162,617	3.78%								
=====									

</TABLE>

(5) Yield on tax-exempt obligations has not been computed on a tax equivalent basis because the percentage of tax-exempt securities is minimal.

(6) The mortgage-backed securities reflect stated maturities and repricing schedule and not anticipated prepayments.

LOANS

The Bank experienced strong loan growth in the first nine months of 2003. The Bank achieved record loan production of \$327.3 million during the first nine months of 2003 resulting in a \$148.3 million increase in gross loans to \$831.5 million at September 30, 2003 from \$683.1 million at December 31, 2002. Total commercial and industrial loans increased \$23.4 million or 18.63% to \$148.7 million at September 30, 2003 from \$125.4 million at December 31, 2002. Commercial real estate loans increased \$123.3 million or 31.16% and residential mortgage loans decreased \$30,000 or 0.08% during the first nine months of 2003.

The following table sets forth the composition of the Bank's loan portfolio as of the dates indicated:

LOAN PORTFOLIO COMPOSITION  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	As of 09/30/03		As of 12/31/02	
	Amount	Percent of Total	Amount	Percent of Total
-----				
Commercial and industrial	\$ 148,719	17.89%	\$ 125,363	18.35%
Installment loans	21,300	2.56	21,225	3.11
Real estate loans:				
-----				

Commercial	519,134	62.44	395,807	57.94
Residential mortgage	37,429	4.50	37,459	5.48
Home equity	5,983	0.72	5,993	0.88
SBA	78,261	9.41	74,560	10.91
Other (1)	3,269	0.39	3,619	0.53
Trade Finance	15,330	1.84	12,488	1.83
Bills Bought	2,037	0.24	6,617	0.97
	-----	-----	-----	-----
Total gross loans (2)	\$ 831,462	100.00%	\$ 683,131	100.00%
	=====	=====	=====	=====

</TABLE>

- -----  
(1) Consists predominantly of credit card loans.  
(2) Net of unearned income and participation loans sold.

NON-PERFORMING ASSETS

Non-performing assets include loans past due 90 days or more and still accruing interest, non-accrual loans and OREO. Total non-performing assets at September 30, 2003 decreased \$734,000 to \$1.3 million, compared with December 31, 2002. Total non-performing assets were 0.16% of total assets at September 30, 2003, compared to 0.30 % of total assets at December 31, 2002.

As of September 30, 2003, the Bank had no OREO. The non-performing loan coverage ratio, defined as the allowance for loan losses to non-performing loans, increased to 773.76% as of September 30, 2003 from 437.96% at December 31, 2002.

The following table provides information with respect to the components of the Bank's non-performing assets as of the dates indicated.

NON-PERFORMING ASSETS  
(Dollars in thousands)

<TABLE> <CAPTION>			
	9/30/2003	12/31/2002	9/30/2002
	-----	-----	-----
<S>	<C>	<C>	<C>
NON-ACCRUAL LOANS:			
Commercial and industrial	\$ 1,013	\$ 1,091	\$ 1,342
Installment loans	15	28	30
Real estate loans:			
Commercial	-	-	2,273
Home mortgage	99	805	861
SBA	81	-	230
Trade Finance	-	74	58
	-----	-----	-----
Total	\$ 1,208	\$ 1,998	\$ 4,794

</TABLE>

(Table continues on the following page.)

<TABLE> <CAPTION>			
	9/30/2003	12/31/2002	9/30/2002
	-----	-----	-----
<S>	<C>	<C>	<C>
LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING (AS TO PRINCIPAL OR INTEREST):			
Installment loans	-	-	16
Other	84	28	-
	-----	-----	-----
Total	\$ 84	\$ 28	\$ 16
	-----	-----	-----
Total non-performing loans	\$1,292	\$2,026	\$4,810
Other real estate owned	-	-	-
	-----	-----	-----
Total non-performing assets	\$1,292	\$2,026	\$4,810
	=====	=====	=====
Non-performing loans as a percentage of total gross loans	0.16%	0.30%	0.73%
Non-performing assets as a percentage of total gross loans and other real estate owned	0.16%	0.30%	0.73%

</TABLE>

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses amounted to \$10.0 million or 1.20% of total loans as of September 30, 2003 compared to \$8.9 million or 1.30% of total loans at December 31, 2002.

The following table presents information relating to the allowance for loan losses for the periods indicated:

<TABLE>  
<CAPTION>

	(Dollars in thousands)		
	YTD 09/30/03	YTD 12/31/02	YTD 09/30/02
	-----	-----	-----
	<C>	<C>	<C>
<b>ALLOWANCE FOR LOAN LOSSES:</b>			
Balance at beginning of period	\$ 8,873	\$ 9,467	\$ 9,467
Provision for loan losses	1,300	1,100	400
Loans charged-off	(502)	(1,805)	(1,323)
Recoveries of charged-off loans	326	111	98
	-----	-----	-----
Balance at end of period	\$ 9,997	\$ 8,873	\$ 8,642
	=====	=====	=====
<b>RATIOS:</b>			
Net loan charge-offs to average total loans	0.03%	0.28%	0.28%
Provision for loan losses to average total loans	0.23	0.18	0.09
Allowance for loan losses to gross loans at end of period	1.20	1.30	1.32
Allowance for loan losses to total non-performing loans	773.76	437.96	179.67
Net loan charge-offs to allowance for loan losses at end of period	2.35	19.10	18.91
Net loan charge-offs to provision for loan losses	13.53	154.05	306.45

</TABLE>

In determining the allowance for loan losses, management continues to assess the risk inherent in the loan portfolio, the possible impact of known and potential problem loans, and other factors such as portfolio composition, loan concentration, and trends in local economic conditions.

The Bank formally assesses its allowance for loan losses on a quarterly basis. The allowance for loan losses begins with Management reviewing each individual classified and criticized loan in detail, and evaluating, among other things, the adequacy of collateral, payment record, current loan status and borrowers' financial capacity. A loan loss allowance is assigned to each impaired loan. Loans categorized as impaired from this quarterly allocation of loan loss allowance are based upon the specifics of the loans' circumstances, including updated collateral value, borrowers' or guarantors' financial capacity, payment record and recent conversations with the borrower. Additionally, each quarter the Bank updates its twelve-quarter loss migration analysis for its commercial loan pool, six-quarter loss migration analysis for its homogeneous loan pool and four-quarter loss migration analysis for its credit card loan pool to drive the rolling respective loan loss experience percentages. These loan pools are assigned an appropriate allowance factor based upon the Bank's historical charge off experience, other factors, and then accounts for qualitative adjustments that take into consideration current conditions. The allowance is maintained at a level the Bank considers adequate to cover inherent risk of probable loss associated with its loan portfolio under prevailing and anticipated economic conditions.

Based on the Bank's evaluation process and the methodology to determine the level of the allowance for loan losses, management believes the allowance level as of September 30, 2003 to be adequate to absorb the incurred losses inherent in the loan portfolio. However, no assurance can be given that the Bank will not sustain losses in any given period which could be substantial in relation to the size of the allowance.

#### DEPOSITS

The Bank's total deposits amounted to \$838.0 million at September 30, 2003, an increase of \$78.0 million from \$760.0 million at December 31, 2002. The Bank's average deposits increased \$118.1 million or 16.42% to \$837 million for the first nine months of 2003 from \$719.3 million for the same period of 2002. The average money market accounts increased \$59.2 million or 53.12% to \$170.5 million for the first nine months of 2003 from \$111.4 million for the same period of 2002. The average non-interest bearing deposits increased \$26.3 million or 12.30% to \$240.5 million for the first nine months of 2003 from \$214.1 million for the same period of 2002. The ratio of average noninterest-bearing

deposits to average total deposits was 26.34% for the first nine months of 2003 and 28.89% for the same period of 2002. The Bank's average total cost of deposits was 1.52% for the first nine months of 2003 and 1.73% for the same period of 2002. The Bank does not hold any brokered deposits.

The following table illustrates the deposit mix as of the dates indicated:

<TABLE>  
<CAPTION>

	(Dollars in thousands)			
	As of September 30, 2003		As of December 31, 2002	
	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>
Types of deposits:				
Demand, non-interest-bearing	\$ 242,528	28.94%	\$ 223,377	29.39%
Money market accounts	137,790	16.44	126,272	16.61
Super Now	8,607	1.03	7,602	1.00
Savings	46,158	5.51	44,215	5.82
Time certificates of deposits of				
\$100,000 or more	306,252	36.55	258,653	34.03
Other time deposits	96,632	11.53	99,877	13.15
Total deposits	\$ 837,967	100.00%	\$ 759,996	100.00%

</TABLE>

#### OTHER BORROWINGS

The Bank's borrowings from Federal Home Loan Bank amounted to \$105.0 million at September 30, 2003 and \$70.0 million at December 31, 2002.

#### CAPITAL RESOURCES

As of September 30, 2003, stockholders' equity was \$108.2 million or 10.23% of total assets, compared with \$100.9 million or 10.77% as of December 31, 2002.

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, and a ratio of Tier 1 capital to total risk-weighted assets of 4.0% ("Tier 1 Risk-Based Capital Ratio"). As of September 30, 2003 and December 31, 2002, the Bank's Total Risk-Based Capital Ratios were 14.71% and 15.95%, respectively, and its Tier 1 Risk Based Capital Ratios were 13.46% and 14.70%, respectively. The Bank's regulatory capital continued to well exceed the regulatory minimum requirements on September 30, 2003; however, the Bank is no longer considered to be "well capitalized" as a result of Consent Agreement entered into with Federal Deposit Insurance Corporation in March 2002. See Part II. Item 1. "Legal Proceedings." 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.

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%. 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. The Bank's Leverage Capital Ratio was 10.40% and 11.56% at September 30, 2003 and December 31, 2002, respectively.

The following table presents the Bank's regulatory capital amount and ratios as of September 30, 2003 and December 31, 2002.

<TABLE>  
<CAPTION>

	AS OF SEPTEMBER 30, 2003 (DOLLARS IN THOUSANDS)					
	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>	
Total capital (to risk-weighted assets)	\$ 118,106	14.71%	\$ 64,232	> or = 8.0%	\$ 80,290	> or = 10.0%
Tier I capital (to risk-weighted assets)	108,109	13.46	32,127	> or = 4.0	48,191	> or = 6.0
Tier I capital (to average assets)	108,109	10.40	41,580	> or = 4.0	51,975	> or = 5.0

</TABLE>

<TABLE>  
<CAPTION>

AS OF DECEMBER 31, 2002  
(DOLLARS IN THOUSANDS)

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSE		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
	<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>

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

LIQUIDITY AND INTEREST RATE SENSITIVITY

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 repayments from loans. To supplement its primary sources of liquidity, the Bank maintained \$131.6 million of borrowing capacity under a collateralized line of credit with the Federal Home Loan Bank of San Francisco.

At September 30, 2003, the Bank's available liquidity totaled \$277.5 million, which was approximately 33.11% of total deposits and 89.92% of total volatile liabilities compared to \$186.4 million at December 31, 2002, which was approximately 24.52% of total deposits and 71.85% of total volatile liabilities. The volatile liabilities are comprised of time certificates of deposit of \$100,000 or more and other volatile deposits. The Bank's policy is 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 and readily available Federal Home Loan Bank advances as funds availability. The Bank follows the regulatory definition of volatile liabilities, which is Jumbo CD's. The ratios of the average balance of Jumbo CD's to average total deposits for September 30, 2003 and December 31, 2002 were 32.06% and 33.99%, respectively.

The Bank had a significant portion of its time deposits maturing within one year or less as of September 30, 2003. Management anticipates that there may be some outflow of these deposits upon maturity due to the keen competition in the Bank's market place. However, based on its historical runoff experience, the Bank expects the outflow will be minimal and can be replenished through its normal growth in deposits.

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.

The Bank actively monitors and manages its interest rate risk through analyzing the repricing characteristics of its loans, securities, and deposits on an on-going basis. One of the primary goals is 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. Management uses both interest rate sensitivity analysis, and a simulation model to measure and quantify the impact to the Bank's profitability on the market value of its assets and liabilities.

The interest rate sensitivity 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 September 30, 2003, the Bank maintained positive one-year gap position of \$57.0 million or 5.4% of total

assets. This compared with a positive one-year gap position of \$86.5 million or 9.23% of total assets at December 31, 2002. The increase in gap was primarily due to a net increase in rate sensitive assets over rate sensitive liabilities. Because the Bank's assets tend to reprice more frequently than its liabilities over a twelve months horizon, the Bank will realize lower net interest income in a falling rate environment.

Since an interest rate sensitivity analysis does not measure the timing differences in the repricing of assets and liabilities, the Bank uses a simulation model to quantify the extent of the differences in the behavior of the lending and funding rates, so as to project future earnings or market values under alternative interest scenarios.

The following table presents the interest rate sensitivity of the Bank's interest-earning assets and interest-bearing liabilities as of September 30, 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 (Dollars in thousands) At September 30, 2003					
Amounts Subject to Repricing Within					
	0-3 Months	3-12 Months	1-5 Years	After 5 Years	Total
<S>	<C>	<C>	<C>	<C>	<C>
<b>INTEREST-EARNING ASSETS:</b>					
Total Loans*	\$ 691,166	\$ 5,894	\$ 55,073	\$ 79,689	\$ 831,822
Federal Home Loan Bank Stock	5,790	--	--	--	5,790
Investment securities	11,930	3,709	100,258	46,720	162,617
Federal Funds sold	24,500	--	--	--	24,500
Interest-earning deposits	466	--	--	--	466
Total	733,852	9,603	155,331	126,409	1,025,195
<b>INTEREST-BEARING LIABILITIES:</b>					
Money market	137,790	--	--	--	137,790
NOW	8,607	--	--	--	8,607
Savings deposits	46,158	--	--	--	46,158
Time deposits of \$100,000 or more	128,806	172,699	4,747	--	306,252
Other Time deposits	38,879	48,549	9,204	--	96,632
Borrowed funds	70,000	35,000	--	--	105,000
Total	\$ 430,240	\$ 256,248	\$ 13,951	\$ --	\$ 700,439
Interest rate sensitivity gap	\$ 303,612	\$ (246,645)	\$141,380	\$126,409	\$ 324,756
Cumulative interest rate sensitivity gap	\$ 303,612	\$ 56,967	\$198,347	\$324,756	
Cumulative interest rate sensitivity gap ratio as a percentage of total assets	28.70%	5.39%	18.75%	30.70%	

\*Loans including loans held- for-sale, unearned fees and excluding Non-Accrual Loans

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 the Bank's estimated net interest income over a twelve month period and NPV based on the indicated changes in market interest rates as of September 30, 2003.

<TABLE>  
<CAPTION>

CHANGE ----- (IN BASIS POINTS)	% CHANGE IN -----	
	NET INTEREST INCOME ----- (NEXT TWELVE MONTHS)	% CHANGE IN ----- NPV
<S>	<C>	<C>
+200	10.99%	8.07%
+100	5.37	3.81
0	-	-
-100	-8.34	-1.23

</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 September 30, 2003 the Bank had no derivative instruments outstanding.

#### ITEM 4. CONTROLS AND PROCEDURES

##### (a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our chief executive officer and chief financial officer directly supervised and participated in evaluating the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2003 and concluded that these controls and procedures are effective. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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 our financial reporting during the quarter ended September 30, 2003 that could significantly affect these internal controls subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such controls requiring corrective actions. As a result, no corrective actions were taken.

## PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

From time to time, the Bank is a party to claims and legal proceedings arising in the ordinary course of business. After taking into consideration information furnished by the General Counsel as to the current status of these claims or proceedings to which the Bank is a defendant, Management is of the opinion that the ultimate aggregate liability represented thereby, if any, will not have a material adverse effect on the financial condition of the Bank.

The Bank has been subject to a Consent Order by the FDIC pursuant to Section 8(b)(1) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1818(b)(1) since April 14, 2002. The Consent Order addresses actions necessary to correct certain Bank Secrecy Act ("BSA") compliance deficiencies including inadequate training and internal controls, and ineffective independent testing of such controls. Even before the Consent Order, the Bank had begun taking proactive steps to improve its BSA compliance. For example, the Bank implemented an enterprise-wide risk management infrastructure, which includes a comprehensive compliance and training program. This step was taken with the assistance of a leading financial services consulting firm, The Secura Group, which the Bank retained in November 2001 to advise and assist the Bank in its compliance efforts. To improve the overall efficiency and effectiveness of BSA monitoring, the Bank implemented an automated BSA tracking/monitoring system. In addition, the Bank is in the process of improving its due diligence efforts to identify and monitor high-risk accounts, internal controls to assure the accuracy and completeness of internal reports, and has intensified employee training. Finally, the Audit Committee has engaged Deloitte & Touche to conduct ongoing independent testing to validate the BSA monitoring controls, systems and processes including the implementation of the BSA Tracking System and also to oversee the bank-wide risk management. The Board of Directors, Management, Officers, and employees of the Bank are fully committed to complying with all of the terms of the Consent Order, and have been working and will continue to work closely with the FDIC towards this goal.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

Not Applicable

ITEM 5. OTHER INFORMATION

Korea Exchange Bank ("KEB"), which holds approximately 62% of the Bank's outstanding shares, recently accepted a capital infusion from Lone Star Fund IV (U.S.), L.P. and its affiliates (collectively, "Lone Star"), which resulted in Lone Star holding a majority of the outstanding voting stock of KEB. In connection with the infusion, KEB transferred all of the Bank shares that it owns to a trust pursuant to a trust agreement dated October 31, 2003, which was entered into between KEB, as grantor and Mr. L. Dale Crandall, as trustee. While KEB retains all of the economic interest in the Bank shares transferred to the trust, the trust agreement gives the trustee voting and dispositive power over

the Bank shares and directs the trustee to dispose of all or substantially all of such interest either directly through a sale or in connection with a merger or similar transaction of the Bank with a third party. The transfer of the shares to the trustee does not affect the Bank's day-to-day business and operations.

The Board of Directors of the Bank has appointed a Special Committee comprised of its independent, outside directors who are not affiliated with KEB to evaluate any potential transaction that may involve the Bank. The Special Committee will participate with the trustee in evaluating possible alternatives and transactions. The Special Committee has engaged Friedman, Billings, Ramsey & Co., Inc. as its financial advisor and Manatt, Phelps & Phillips, LLP as legal counsel. There can be no assurance that any disposition by the trustee of the Bank shares will involve a merger or similar transaction of the Bank.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(c) Exhibit

Reference Number	Item
-----	----
<S>	<C>
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 Downtown Branch Office(1).....
10.6	Lease for Van Nuys Branch Office(1).....
10.7	Lease for Torrance Branch Office(1).....
10.8	Lease for Rowland Heights Branch Office(1).....
11.1	Statement Regarding Computation of Earnings Per Share(4).....
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.....
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.....
32.1	Certification of Chief Financial Officer and Chief Financial Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.....

</TABLE>

(b) Reports on Form 8-K

-----

- (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 10-K/A, as filed with the FDIC on April 20, 2001.
- (4) The information required by this exhibit is incorporated herein by reference from Note of the Bank's Financial Statements included herein.

On August 27, 2003, the Bank filed a report on Form 8-K with respect to the issuance of a press release by Korea Exchange Bank, which holds approximately 62% of the Bank's outstanding shares ("KEB"), with respect to an agreement entered into between KEB and Lone Star under which Lone Star would acquire 51% of the issued and outstanding shares of KEB from KEB and two of its largest shareholders.

On September 16, 2003, the Bank filed a report on Form 8-K with respect to a special shareholders meeting of KEB at which KEB obtained shareholders approval of the agreement between KEB and Lone Star.

On November 3, 2003, the Bank filed a report on Form 8-K reporting that Lone Star had acquired the majority of the shares of KEB.

SIGNATURES

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

Pacific Union Bank

Date: November 13, 2003 By: /s/ Dianne Kim

-----  
Dianne Kim  
Senior Vice President and Chief Financial  
Officer  
(Principal financial or accounting officer and  
duly authorized signatory)

## FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20006

FORM 8-K

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 8, 2002

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA ----- (State or other jurisdiction of incorporation or organization)	N/A --- (Commission file No.)	95-2888370 ----- (I.R.S. Employee Identification No.)
--	-------------------------------------	--

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)

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

## ITEM 5. OTHER EVENTS

The Board of Directors of Pacific Union Bank has become aware of recent foreign and domestic Korean language press articles describing the intentions of its majority stockholder, Korea Exchange Bank ("KEB"), concerning the Bank's management. Although it is the general policy of the Bank not to respond to such rumors or speculate on their accuracy, Mr. Allan E. Dalshaug, Chairman of the Board, released the following statement to clarify the status of management at Pacific Union Bank:

"The Board has engaged in ongoing discussions with KEB concerning various means of building shareholder value. Management continuity and the localization of operations are considered important factors in improving competitiveness and have been part of the Bank's strategic goals since its IPO in 2000. As part of the Bank's ongoing efforts to achieve these goals, the Board and KEB have concluded that it would be desirable for the Bank to retain a President & CEO experienced in American community banking. Accordingly, KEB will no longer recommend its retired executives to serve as president of the Bank.

"To implement this change, the Board has formed a Committee to determine a comprehensive selection process and initiate a competitive search for a qualified candidate with extensive experience in American community banking. Although the outcome cannot be guaranteed, the Board hopes to locate a highly qualified individual who will serve as President & CEO for an extended period of time, subject to satisfactory performance reviews, and who will be held accountable for the ongoing success of the Bank as well as implementing the Board's strategic initiatives.

"Further," Mr. Dalshaug stated, "as the Bank's majority shareholder, KEB has indicated, it intends to continue its practice of recommending and voting for KEB senior executives and KEB retirees to serve as directors of the Bank. KEB indicated it will recommend one of its nominated directors to serve as the Chairman of the Board. The current Board has agreed that such director will be nominated to serve as Chairman following the annual meeting of shareholders."

Pacific Union 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. Through its network of 12 full-service branch offices, and a loan production office in Seattle, Washington, the Bank provides a wide range of commercial and consumer banking services to the Korean-American communities. 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. For additional information, visit the web site for Pacific Union Bank located at [www.pacificunionbank.com](http://www.pacificunionbank.com).

This release contains statements that constitute "forward-looking statements"

within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "estimate," "expect", "intend," "anticipate" and similar expressions and variations thereof identify certain of such forward-looking statements, which speak only as of the dates, which they were made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those indicated in the forward-looking statements as a result of various factors. Readers are cautioned not to place undue reliance on these forward-looking statements.

SIGNATURE

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 thereunto duly authorized.

Pacific Union Bank

Dated: April 9, 2003

By: /s/ Dianne Kim

-----  
Dianne Kim, Senior Vice President  
and Chief Financial Officer

## FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20006

FORM 8-K

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 21, 2003

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA -----	N/A ---	95-2888370 -----
(State or other jurisdiction of incorporation or organization)	(Commission file No.)	(I.R.S. Employee Identification No.)

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)

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

## ITEM 5. OTHER EVENTS

Mr. Woon Seok Hyun has announced his intention to resign as the Bank's Chief Executive Officer, President, and Director. His resignation will be effective as of May 22, 2003. Mr. Hyun has served as the Bank's CEO since May 2001.

Under Mr. Hyun's leadership, total assets grew to \$1.0 billion at April 10, 2003 from \$805.8 million at March 31, 2001. Total loans increased to \$733.8 million at April 10, 2003 from \$498.2 million at March 31, 2001. Asset quality remained strong during this period, despite a very difficult economic environment. He focused on increasing low cost deposits and improved the deposit mix at the Bank.

During this period, the Bank was included in the Russell 3000 index for the first time, and was selected as a Top 25 Los Angeles County-Based Bank. Mr. Hyun also implemented an ongoing strategic planning process. The Board expresses its appreciation for Mr. Hyun's service and accomplishments.

As previously reported, the Board had formed a CEO Search Committee as part of an effort to "localize" the CEO position. The Search Committee is actively seeking potential qualified candidates. In light of Mr. Hyun's resignation, the Board has selected an independent Director, Mr. David Warner, to serve as an Interim CEO, subject to FDIC non-disapproval, from the effective date of Mr. Hyun's resignation until a permanent CEO is appointed.

Mr. Warner has in excess of eight years of experience in the banking community in Seoul, Korea. He was selected as Deputy President and Chief Financial Officer of Seoul Bank in Seoul, Korea as part of its reorganization team. He also served as Advisor/Director of the Korea Development Bank and was Country Manager for the First National Bank of Chicago.

Mr. Warner has extensive experience in the Financial Services Industry as well. He has approximately 30 years of experience including leadership positions with the First National Bank of Chicago in the United States, Hong Kong, Korea, and other Asian countries. He also spent a number of years in Hong Kong with ChinaVest Limited, managing investments in their venture capital portfolio and evaluating investment opportunities.

Pacific Union Bank has benefited from Mr. Warner's varied experience and financial expertise since May 2002, when he joined the Bank as an independent Director. As a Director, he has actively participated in setting the Bank's strategic direction and initiatives and has been an instrumental member of the Audit Committee. Given his unique background, the Board believes that Mr. Warner will make a significant contribution to the Bank in his tenure as Interim CEO.

Pacific Union 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. Through its

network of 12 full-service branch offices, and a loan production office in Seattle, Washington, the Bank provides a wide range of commercial and consumer banking services to the Korean-American communities. 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. For additional information, visit the web site for Pacific Union Bank located at [www.pacificunionbank.com](http://www.pacificunionbank.com).

This release contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "estimate," "expect", "intend," "anticipate" and similar expressions and variations thereof identify certain of such forward-looking statements, which speak only as of the dates, which they were made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) EXHIBITS

99.1 Press release concerning earnings for March 31, 2003 calendar quarter

ITEM 12. DISCLOSURE OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On April 21, 2003 the Bank issued an earnings release concerning its results of operations and financial condition as of and for the calendar quarter ended March 31, 2003. A copy of the release is attached as Exhibit 99.1.

EXHIBIT INDEX

Exhibit No.	Description	Page
99.1	Press release concerning earnings for March 31, 2003 calendar quarter.	

SIGNATURE

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 thereunto duly authorized.

Pacific Union Bank

Dated: April 22, 2003

By: /s/ Dianne Kim

Dianne Kim, Senior Vice President  
and Chief Financial Officer

## FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20006

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) July 23, 2003

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA	N/A	95-2888370
-----	---	-----
(State or other jurisdiction of incorporation or organization)	(Commission file No.)	(I.R.S. Employee Identification No.)

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)

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

## ITEM 4. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT.

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 past year 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.

## ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(d)	EXHIBITS	
	16	Letter from PWC, LLP
	99.1	Press release concerning earnings for June 30, 2003 calendar quarter

## ITEM 12. DISCLOSURE OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On July 23, 2003 the Bank issued an earnings release concerning its results of operations and financial condition as of and for the calendar quarter ended June 30, 2003. A copy of the release is attached as Exhibit 99.1.

## EXHIBIT INDEX

<TABLE> <CAPTION> Exhibit No.	Description	Page
-----	-----	-----
<S>	<C>	<C>
16	Letter from PWC, LLP	

99.1 Press release concerning earnings for June 30, 2003 calendar 3  
quarter.

</TABLE>

SIGNATURE

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 thereunto duly authorized.

Pacific Union Bank

Dated: July 25, 2003

By: /s/ Dianne Kim

-----  
Dianne Kim, Senior Vice President  
and Chief Financial Officer

## FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20006

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) August 27, 2003

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA	N/A	95-2888370
-----	---	-----
(State or other jurisdiction of incorporation or organization)	(Commission file No.)	(I.R.S. Employee Identification No.)

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)

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

## ITEM 5. OTHER EVENTS

On August 27, 2003, Korea Exchange Bank, which holds approximately 62% of the registrant's outstanding shares, issued a press release that it entered into an agreement with Lone Star under which Lone Star has agreed to inject additional capital for new shares of KEB stock and to contemporaneously purchase preferred shares of KEB stock from two of its shareholders, The Export-Import Bank of Korea and Commerzbank, which would make Lone Star the largest shareholder of KEB holding 51% of the total issued and outstanding shares of KEB. KEB will hold a shareholders meeting on September 16, 2003. A copy of the release is attached as Exhibit 99.1.

## SIGNATURE

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 thereunto duly authorized.

Pacific Union Bank

Dated: August 28, 2003

By: /s/ Dianne Kim

-----  
 Dianne Kim, Senior Vice President  
 and Chief Financial Officer

## FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20006

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) September 19, 2003

## PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA	N/A	95-2888370
-----	---	-----
(State or other jurisdiction of incorporation or organization)	(Commission file No.)	(I.R.S. Employee Identification No.)

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)

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

## ITEM 5. OTHER EVENTS

The Bank has learned that on September 16, 2003 (Korea Time) Korea Exchange Bank, which holds approximately 62% of the registrant's outstanding shares, held a special shareholders meeting and obtained shareholder approval of its proposed agreement with Lone Star. Under the agreement, Lone Star would inject additional capital for new shares of KEB stock and contemporaneously purchase preferred shares from two of its current shareholders, which would make Lone Star the largest shareholder holding 51% of the total outstanding shares of KEB. The KEB shareholders also elected a new slate of ten directors. A copy of the release is attached as Exhibit 99.1.

## SIGNATURE

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 thereunto duly authorized.

Pacific Union Bank

Dated: September 19, 2003

By: /s/ Dianne Kim

-----  
 Dianne Kim, Senior Vice President  
 and Chief Financial Officer

## FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20006

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) December 9, 2003

PACIFIC UNION BANK

(Exact name of registrant as specified in its charter)

CALIFORNIA	N/A	95-2888370
-----	---	-----
(State or other jurisdiction of incorporation or organization)	(Commission file No.)	(I.R.S. Employee Identification No.)

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)

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

## ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

As previously reported, on October 31, 2003, Korea Exchange Bank ("KEB") transferred (the "Transfer") 6,624,052 shares of common stock (the "Shares") of Registrant, representing 62.1% of the Registrant's issued and outstanding common stock at that time, to a trust (the "Trust"). The Trust was created pursuant to a Trust Agreement, dated as of October 31, 2003 (the "Trust Agreement"), by and between KEB, as grantor, and L. Dale Crandall, as trustee (the "Trustee"). No consideration was paid by the Trustee or the Trust for the Shares in connection with the Transfer, and KEB, as sole beneficiary under the Trust, retains the economic benefit of the Shares. Pursuant to the Trust Agreement, the Trustee has the sole power to vote or to direct the vote and to dispose or to direct the disposition of the Shares. The Trustee, on behalf of the Trust, filed a Schedule 13D with the FDIC on November 10, 2003, in connection with the transactions contemplated by the Transfer.

On December 9, 2003, the Trustee filed Amendment No. 1 to his Schedule 13D, disclosing that in discussions with the special committee of the board of directors of the Registrant, the Trustee orally indicated that he will not pursue a transaction that excludes the minority shareholders of the Registrant if a financially viable alternative transaction is available that includes all shareholders of the Registrant. There can be no assurance that any disposition of the Shares will involve a merger or other transaction that includes all shareholders of the Registrant.

## SIGNATURE

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 thereunto duly authorized.

Pacific Union Bank

Dated: December 10, 2003

By: /s/ Dianne Kim

-----  
 Dianne Kim, Senior Vice President  
 and Chief Financial Officer

## FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) December 22, 2003

PACIFIC UNION BANK  
-----

(Exact name of registrant as specified in its charter)

CALIFORNIA  
-----21765  
-----95-2888370  
-----(State or other jurisdiction (FDIC Certificate No.) (I.R.S. Employee  
of incorporation or organization) Identification No.)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)

Not applicable  
-----

(Former name or former address, if changed since last report)

## ITEM 5. OTHER EVENTS

On December 22, 2003, Pacific Union Bank, a California banking corporation ("PUB"), Hanmi Financial Corporation, a Delaware corporation ("Hanmi"), and Hanmi Bank, a California banking corporation and wholly owned subsidiary of Hanmi ("Hanmi Bank"), entered into an Agreement and Plan of Merger, dated as of December 22, 2003 (the "Merger Agreement"), pursuant to which PUB will merge with and into Hanmi Bank, with Hanmi Bank surviving the merger.

In connection with the Merger Agreement, Hanmi and the trust (the "Trust") that holds the 6,624,052 shares of PUB common stock formerly held by Korea Exchange Bank ("KEB"), have entered into a Voting and Sale Agreement dated as of December 22, 2003, pursuant to which the Trust has agreed to vote its shares of PUB common stock in favor of the merger and the Merger Agreement, and to sell a majority of those shares to Hanmi for cash concurrently with the closing of the merger.

Concurrently with the execution of these agreements, Hanmi entered into securities purchase agreements with several investors pursuant to which these investors have agreed to buy, and Hanmi has agreed to issue and sell, concurrently with the closing of the merger, an aggregate of 3,947,369 shares of Hanmi's common stock for \$19 per share in cash. These investors include five members of Hanmi's board of directors, who have collectively agreed to purchase 430,326 shares of Hanmi's common stock for \$8,176,194. Hanmi also entered into an agreement with Trapeza Funding V, LLC ("Trapeza") whereby Trapeza has committed to purchase trust preferred securities issued by Hanmi in an amount of up to \$60 million. Hanmi expects to issue half of these trust preferred securities in January, with the balance issued concurrently with the closing of the merger.

In connection with the Merger Agreement, all members of Hanmi's board of directors holding shares of Hanmi's common stock, and collectively holding a total of approximately 32% of the outstanding shares of Hanmi's common stock, entered into voting agreements with PUB pursuant to which these directors agreed to vote all of their shares of Hanmi common stock in favor of the issuance of Hanmi common stock pursuant to the merger and the financing transactions related thereto.

A joint press release announcing the execution of the Merger Agreement and the related agreements was issued on December 22, 2003. The information in the press release is incorporated herein by reference. A copy of the joint press release is attached hereto as Exhibit 99.1.

## ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of Business Acquired:

None

(b) Pro Forma Financial Information:

None

(c) Exhibits:

The following exhibits are furnished in accordance with Item 601 of Regulation S-K.

EXHIBIT NO. - - - - -	DESCRIPTION -----
2.1	Agreement and Plan of Merger, dated as of December 22, 2003, by and among Pacific Union Bank, Hanmi Financial Corporation and Hanmi Bank.
2.2	Voting and Sale Agreement, dated as of December 22, 2003, by and between Hanmi Financial Corporation and the Trust established pursuant to the Trust Agreement dated as of October 31, 2003 between Korea Exchange Bank and Mr. L. Dale Crandall.
99.1	Joint Press Release dated December 22, 2003.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned thereunto duly authorized.

Pacific Union Bank  
(REGISTRANT)

Dated: December 22, 2003

By: /s/ David B. Warner  
-----

David B. Warner, President and  
Chief Executive Officer

INDEX TO EXHIBITS

EXHIBIT NO. - - - - -	DESCRIPTION -----
2.1	Agreement and Plan of Merger, dated as of December 22, 2003, by and among Pacific Union Bank, Hanmi Financial Corporation and Hanmi Bank.
2.2	Voting and Sale Agreement, dated as of December 22, 2003, by and between Hanmi Financial Corporation and the Trust established pursuant to the Trust Agreement dated as of October 31, 2003 between Korea Exchange Bank and Mr. L. Dale Crandall.
99.1	Joint Press Release dated December 22, 2003.

THE FOLLOWING IS A DESCRIPTION OF PACIFIC UNION BANK'S CAPITAL STOCK TAKEN FROM PACIFIC UNION BANK'S FORM 10 FILED PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934.

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED

The authorized capital stock of the Bank consists of 30,000,000 shares of Common Stock, par value \$6.00 per share. As of June 2, 2000, there were issued and outstanding 6,666,667 shares of the Bank's Common Stock. A summary of the rights, preferences, privileges and restrictions of the Bank's Common Stock is set forth below.

DIVIDENDS

The Bank can pay dividends as and when declared by the Board of Directors, subject to compliance with limitations imposed by law. Each share of Common Stock has the right to participate equally in dividends declared by the Board of Directors out of funds legally available therefor. The Board of Directors does not anticipate paying cash dividends for the foreseeable future. See "Item 9 -- Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters -- Dividends" herein.

VOTING RIGHTS

All voting rights are vested in the holders of the Common Stock. Each holder of Common Stock is entitled to one vote for each share of Common Stock standing in his name on the books of the Bank on any matter submitted to the vote of the shareholders, except that in connection with the election of directors, shares are entitled to be voted cumulatively if a candidate's name has been placed properly in nomination prior to the voting and a shareholder present at the meeting gives notice of his or her intention to vote cumulatively. Cumulative voting entitles a shareholder to give one nominee as many votes as is equal to the number of directors to be elected multiplied by the number of shares owned by such shareholder, or to distribute his or her votes on the same principle between or among two or more nominees as he or she deems appropriate. The candidates receiving the highest number of votes, up to the number of directors to be elected, will be elected under cumulative voting. KEB has entered into a voting agreement with the Bank specifying that KEB agrees to not vote its shares at the Bank's 2001 Annual Meeting of Shareholders for more than four nominees for director who would not be outside directors. The voting agreement does not limit KEB from voting its shares for any nominees who would be outside directors.

LIQUIDATION

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the corporation, after distribution in full of the preferential amounts to be distributed to the holders of all classes and series of stock entitled thereto and to the holders of capital notes, if any, as provided for in the California Financial Code, the holders of the Common Stock shall be entitled to receive all the remaining assets of the corporation.

ABSENCE OF PREEMPTIVE RIGHTS

Holders of the Common Stock of the Bank do not have preemptive rights to subscribe for additional shares on a pro rata basis when and if such additional shares are offered for sale by the Bank.

MISCELLANEOUS

Each share of Common Stock has the same rights, preferences, and privileges as every other share, and is entitled to one vote at any meeting of shareholders (except as described above). The Common Stock has no conversion or redemption rights or sinking fund provisions applicable thereto. All of the shares of Common Stock outstanding are fully paid and non-assessable.

California law prohibits a California state-chartered bank from lending on the security of, or for the purpose of purchasing, its own stock and from purchasing shares of its own stock unless approved in advance by the Commissioner or unless such purchase is necessary to prevent loss to the bank on debts previously contracted in good faith.

The Bank utilizes U. S. Stock Transfer Corp., Glendale, California, as its transfer agent.