

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

SECURITY PACIFIC BANCORP
Los Angeles, California

and

FEDERAL RESERVE BANK OF
SAN FRANCISCO
San Francisco, California

Docket No. 08-019-WA/RB-HC

WHEREAS, in recognition of their common goal to maintain the financial soundness of Security Pacific Bancorp, Los Angeles, California (“Security Pacific”), a registered bank holding company that owns and controls Security Pacific Bank, Los Angeles, California (the “Bank”), a state chartered nonmember bank, and various nonbank subsidiaries, Security Pacific and the Federal Reserve Bank of San Francisco (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on August 12, 2008, the board of directors of Security Pacific, at a duly constituted meeting, adopted a resolution authorizing and directing Ezri Namvar, Chairman of the board of directors, to enter into this Agreement on behalf of Security Pacific, and consenting to compliance by Security Pacific and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)), with each and every provision of this Agreement.

NOW, THEREFORE, Security Pacific and the Reserve Bank agree as follows:

Dividends

1. (a) Security Pacific shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(b) Security Pacific shall not declare or pay any dividends unless such declaration or payment is consistent with the Board of Governors of the Federal Reserve System's (the "Board of Governors") Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323). During the term of this Agreement, Security Pacific shall also not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director").

(c) Security Pacific and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, but not be limited to, current and projected information on consolidated earnings; cash flow, capital, asset quality, and loan loss reserve needs of the Bank; identification of the sources of funds for the proposed payment or distribution; and, to the extent that the proposed payment or distribution will be made with dividends paid by the Bank, whether the

Bank's federal and state regulators have approved the dividend payment to Security Pacific to the extent any such approval is required. The Reserve Bank and the Director will determine whether to approve the request to pay dividends or make distributions pursuant to Federal Reserve policy, including, but not limited to, the proposed payment's impact on Security Pacific's continued ability to serve as a source of financial strength to the Bank.

Debt and Stock Redemption

2. (a) Security Pacific and its nonbank subsidiaries shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Security Pacific shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Capital

3. Within 60 days of this Agreement, Security Pacific shall submit to the Reserve Bank an acceptable written plan to maintain a sufficient capital position at the consolidated organization and the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, appendices A and D);

- (b) the adequacy of the Bank's capital, taking into account the volume of classified credits, adequacy of loss reserves, current and projected asset growth, and projected retained earnings;
- (c) the source and timing of additional funds to fulfill the consolidated organization's and the Bank's future capital requirements;
- (d) federal or state supervisory requests for additional capital at the Bank or the requirements of any supervisory action imposed on the Bank by any federal or state regulator;
- (e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)) that Security Pacific serve as a source of strength to the Bank; and
- (f) procedures for Security Pacific to notify the Reserve Bank, in writing, no more than thirty days after the end of any quarter in which Security Pacific's consolidated capital ratios or the Bank's capital ratios (total risk-based, Tier 1 risk-based, or leverage) fall below the plan's minimum ratios and to submit to the Reserve Bank an acceptable written plan that details the steps Security Pacific will take to increase its and the Bank's capital ratios above the plan's minimum within 30 days of such calendar quarter-end date.

Credit Risk Management

4. Within 90 days of this Agreement, Security Pacific shall submit to the Reserve Bank an acceptable written plan to manage credit risk at Security Pacific, Security Pacific Credit Corporation, Los Angeles, California ("SPCC") or any other nonbank subsidiary of Security Pacific that engages in lending. The plan shall, at a minimum, address, consider, and include:

- (a) Underwriting standards that require a comprehensive written analysis of the borrower's creditworthiness and repayment capacity;
- (b) restrictions on participation by any Security Pacific, SPCC, or Bank insider, as defined in section 215.2(h) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(h)), from the underwriting or loan approval process for any loan to the insider or any insider related interest, as defined in section 215.2(n) of Regulation O (12 C.F.R. § 215.2(n)), or any loan in which the insider has a financial interest;
- (c) measures to identify, limit, and manage concentrations of credit that are consistent with the Interagency Statement on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated January 4, 2007 (SR 07- 01);
- (d) guidelines for real estate appraisals and appraisal reviews that are consistent with the Interagency Statement on Independent Appraisal and Evaluation Functions dated October 27, 2003 (SR 03-18), and Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994 (SR 94-55), as well as the requirements of Subpart G of Regulation Y of the Board of Governors (12 C.F.R. Part 225, Subpart G); and
- (e) steps to correct the other credit risk management and credit administration deficiencies noted in the report of the inspection of Security Pacific conducted by the Reserve Bank that was concluded in May 2008.

Appointment of New Officers and Directors, and Severance and Indemnification Payments

- 5. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Security Pacific shall comply with the notice provisions of section 32

of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Security Pacific shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Approval, Implementation, and Progress Reports

6. (a) Security Pacific shall submit written plans that are acceptable to the Reserve Bank within the applicable time period set forth in paragraphs 3 and 4 of this Agreement.

(b) Within 30 days of approval by the Reserve Bank, Security Pacific shall adopt the approved plans. Upon adoption, Security Pacific shall implement the approved plans, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans shall not be amended or rescinded without the prior written approval of the Reserve Bank.

7. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure Security Pacific's compliance with the provisions of this Agreement and the results thereof. The Reserve Bank may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Communications

8. All communications regarding this Agreement shall be sent to:
 - (a) Mr. Kevin Zerbe
Director
Federal Reserve Bank of San Francisco
101 Market Street
Mail Stop 920
San Francisco, California 94105
 - (b) Mr. Ezri Namvar
Chairman of the Board of Directors
Security Pacific Bancorp
12121 Wilshire Boulevard
Suite 1350
Los Angeles, California 90025

Miscellaneous

9. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to Security Pacific to comply with any provision of this Agreement.

10. The provisions of this Agreement shall be binding upon Security Pacific and each of its institution-affiliated parties, in their capacities as such, and their successors and assigns.

11. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended by the Reserve Bank.

12. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

13. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 14th day of August, 2008.

Security Pacific Bancorp

Federal Reserve Bank of San Francisco

By: /s/ Ezri Namvar
Ezri Namvar
Chairman of the Board
of Directors

By: /s/ Stephen M. Hoffman, Jr.
Stephen M. Hoffman, Jr.
Senior Vice President