

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

Written Agreement by and among

ORIENT BANCORPORATION
San Francisco, California

BANK OF THE ORIENT
San Francisco, California

and

FEDERAL RESERVE BANK OF
SAN FRANCISCO
San Francisco, California

Docket Nos. 21-003-WA/RB-HC
21-003-WA/RB-SM

WHEREAS, Orient Bancorporation (the “Bancorporation”), is a registered bank holding company, and its subsidiary bank, Bank of the Orient (the “Bank”), is a state-chartered bank that is a member of the Federal Reserve System, both of San Francisco, California;

WHEREAS, the Bank maintains a foreign branch in Xiamen, China (the “Foreign Branch”);

WHEREAS, in recognition of their common goal to maintain the financial soundness of Bancorporation and the Bank, the Federal Reserve Bank of San Francisco (the “Reserve Bank”), Bancorporation, and the Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, the boards of directors of Bancorporation and the Bank, respectively, at duly constituted meetings, adopted resolutions authorizing and directing the undersigned to enter into

this Agreement on behalf of Bancorporation and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by Bancorporation and the Bank.

NOW, THEREFORE, Bancorporation, the Bank, and the Reserve Bank agree as follows:

Source of Strength

1. The board of directors of Bancorporation shall take the appropriate steps to fully utilize Bancorporation's financial and managerial resources, pursuant to section 38A of the Federal Deposit Insurance Act, as amended ("the FDI Act") (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with this Agreement, and any other supervisory action taken by the Bank's federal or state regulator.

Board and Senior Management Oversight

2. Within 60 days of this Agreement, the boards of directors of Bancorporation and the Bank shall jointly submit a written plan to the Reserve Bank to strengthen board oversight of the management and operations of the Bank, including its Foreign Branch. The plan shall include the following eight items:

(a) the actions that the boards of directors of Bancorporation and the Bank will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including but not limited to, credit risk management, lending and credit administration, capital, and internal controls;

(b) the responsibility of the boards of directors to monitor management's adherence to approved policies and procedures, and applicable laws and regulations, and to monitor exceptions to approved policies and procedures;

- (c) the responsibility of the boards of directors to establish appropriate risk tolerance guidelines and risk limits;
- (d) the identification of present and future staffing needs;
- (e) the proper segregation of duties among staff;
- (f) management succession planning;
- (g) steps to improve the information and reports that will be regularly reviewed by the boards of directors in their oversight of the operations and management of the Bank, including information on the Bank's credit risk management, lending and credit administration, concentrations of credit, allowance for loan and lease losses ("ALLL"), and capital; and
- (h) the actions that the boards of directors of Bancorporation and the Bank will take to ensure that management operates the Foreign Branch in accordance with safe and sound banking principles and in compliance with applicable laws and regulations.

Internal Controls

3. Within 30 days of this Agreement, the Bank shall submit a plan acceptable to the Reserve Bank to strengthen internal controls for the Foreign Branch. The plan shall include the following four items:

- (a) controls to ensure management of the Foreign Branch's adherence to approved loan and credit policies and procedures, and applicable U.S. laws and regulations and to monitor exceptions to approved policies and procedures;
- (b) standards and criteria for assessing the credit quality of loans, including a discussion of the factors used to assign appropriate risk grades to loans, and a loan review function to identify and evaluate credit weaknesses and potential losses;

(c) controls to ensure segregation of the loan disbursement and payment functions from the account officer function; and

(d) policies, procedures and processes to ensure the accurate translation of documents related to off shore loans.

Management Plan

4. Within 60 days of this Agreement, the Bank's board of directors shall submit a revised written management plan to the Reserve Bank that fully addresses the findings and recommendations of the board and management reviews that were recently conducted by independent consultants and that describes the specific actions the board of directors proposes to take in order to strengthen the board of directors and the Bank's management, including, but not limited to, plans to hire or appoint additional or replacement personnel to properly manage and operate the Bank. The revised plan should contain a timeline for full implementation of the management plan.

Credit Risk Management

5. Within 60 days of this Agreement, the Bank shall submit a written plan to strengthen credit risk management practices of the Bank and Foreign Branch acceptable to the Reserve Bank. The plan shall include the following eight items:

(a) enhanced policies and procedures for loans made by the Foreign Branch;

(b) the responsibility of the board of directors to establish appropriate risk tolerance guidelines and risk limits;

(c) a comprehensive risk assessment that identifies and considers all products and services of the Foreign Branch, customer types, geographic locations, as applicable, in determining inherent and residual risks;

- (d) timely and accurate identification and quantification of credit risk within the loan portfolio;
 - (e) policies, procedures and strategies to identify, limit, and manage concentrations of credit;
 - (f) the actions that the board of directors will take to improve internal controls and oversight of the Bank's lending function;
 - (g) strategies to minimize credit losses and reduce the level of problem assets;
- and
- (h) improvements to the Bank's management information systems to ensure that the board of directors and senior management obtain timely and accurate credit-related information.

Lending and Credit Administration

6. Within 60 days of this Agreement, the Bank shall submit written lending and credit administration policies and procedures acceptable to the Reserve Bank. The policies and procedures shall include the following four items:

- (a) underwriting standards that require documented analyses of: (i) the borrower's repayment sources, global cash flow, and overall debt service ability; and (ii) the value of any collateral;
- (b) procedures to ensure compliance with loan documentation and collateral requirements to minimize exceptions;
- (c) with respect to loans originated by the Foreign Branch, procedures to ensure the following five items: (i) appraisers selected for an appraisal have the appropriate credentials, experience and/or education necessary to competently perform the assignment; (ii)

appraisals are performed by individuals with appropriate independence and without interest, financial or otherwise, in the transaction or property; (iii) appraisals determine a market value and are written and contain sufficient information and analysis to support credit decisions; (iv) the appraisal is received and reviewed in a timely manner to support credit decisions; and (v) there is escalation and resolution of any appraisal deficiencies by Bank senior management; and

(d) a process to ensure appropriate independence in credit decisions.

Allowance for Loan and Lease Losses

7. (a) The Bank shall, within 30 days from the receipt of any report of examination, charge off all assets classified “loss” unless otherwise approved in writing by the Reserve Bank.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology and submit a description of the revised methodology to the Reserve Bank. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address the reliability of the Bank’s loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank’s loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectability.

(c) Within 60 days of this Agreement, the Bank shall submit a written program for the maintenance of an adequate ALLL acceptable to the Reserve Bank. The program shall include policies and procedures to ensure adherence to the ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis.

Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes in determining the amount of ALLL for that quarter.

Capital Plan

8. Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank to maintain sufficient capital. The plan shall include the following three items:

(a) compliance with the applicable requirements of Regulation Q of the Board of Governors, Capital Adequacy of Board-Regulated Entities (12 C.F.R. Part 217);

(b) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the ALLL, current and projected asset growth, projected earnings, and anticipated and contingency funding needs; and

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements.

9. (a) The Bank shall notify the Reserve Bank, in writing, no more than 30 days after the end of any calendar quarter in which any of the Bank's capital ratios (total risk-based, Tier 1 risk-based, common equity Tier 1 or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, the Bank shall submit a written plan acceptable

to the Reserve Bank that details the steps it will take to increase its capital ratios to or above the approved capital plan's minimums.

(b) During the term of this Agreement, the Bank shall not enter into any agreement to sell or purchase any loan or other asset that, in the aggregate, would exceed 5 percent of the Bank's total assets at the end of the prior quarter without the prior written approval of the Reserve Bank.

(c) All requests for prior written approval shall be received at least 30 days prior to the proposed sale or purchase. All requests shall contain, at a minimum, a description of the terms of the proposed sale or purchase, the identity of the proposed purchaser or seller; current and projected information on the Bank's capital, asset quality, earnings, and ALLL needs, and the identification of the sources of funds for any proposed purchase or sale.

Strategic Plan

10. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank a revised written Strategic Plan that, at a minimum, establishes short and long term goals designed to improve the condition of the Bank and a description of how the Bank's board of directors and senior management intend to achieve the stated objectives. The strategic plan shall differentiate, to the extent possible, the Foreign Branch from U.S. operations.

Earnings Plan and Budget

11. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank a written business plan and a budget for 2021 to improve the Bank's earnings and overall condition. The earnings plan and budget shall differentiate, to the extent possible, the Foreign Branch from U.S. operations. The plan and budget shall include the following four items:

(i) goals and strategies for improving the Bank's earnings;

(ii) an assessment of the Bank's current financial condition, product lines, and market area, and a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components;

(iii) a realistic and comprehensive budget for 2021, including income statement and balance sheet projections; and

(iv) a budget review process that analyzes and reports budgeted versus actual income and expense performance.

(b) A business plan and budget for each calendar year subsequent to 2021 shall be submitted to the Reserve Bank at least 30 days prior to the beginning of that calendar year.

Dividends and Distributions

12. (a) Bancorporation and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Supervision and Regulation (the "Director") of the Board of Governors.

(b) Bancorporation 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.

(c) Bancorporation and any nonbank subsidiary shall not make any distribution 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, at a minimum, current and projected information on Bancorporation's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Bancorporation must also demonstrate: (1) the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends and (2) the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality, and overall financial condition.

Debt and Stock Redemption

13. (a) Bancorporation 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 be received at least 30 days prior to the proposed transaction date and 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) Bancorporation shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank. All requests for prior written approval shall be received at least 30 days prior to the proposed transaction date.

Compliance with Laws and Regulations

14. (a) The Bank shall take all necessary steps to comply with Regulation K of the Board of Governors (12 C.F.R. Part 211).

(b) 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, Bancorporation and the Bank shall comply with the notice provisions

of section 32 of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1831i) (the “FDI Act”) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(c) Bancorporation and the Bank 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. § 359).

Progress Reports

15. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors of Bancorporation and the Bank shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plans and Programs

16. (a) Bancorporation or the Bank, as applicable, shall submit written plans, a program, and policies and procedures that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 2, 3, 4, 5, 6, 7, 8, 10, and 11 of this Agreement. Each plan, policy, procedure, and program shall contain a timeline for full implementation of the plan, policy, procedure, or program with specific deadlines for the completion of each component of the plan, policy, procedure, or program.

(b) Within 10 days of approval by the Reserve Bank, Bancorporation or the Bank, as applicable, shall adopt the approved plans, policies, procedures, and program. Upon adoption, Bancorporation or the Bank, as applicable, shall promptly implement the approved plans, policies, procedures, and program, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, policies, procedures, and program shall not be amended or rescinded without the prior written approval of

the Reserve Bank.

Communications

17. All communications regarding this Agreement shall be sent to:
 - (a) Mr. Lee J. Kapos
Director, Financial Institution Supervision and Credit
Federal Reserve Bank of San Francisco
120 South State Street,
Salt Lake City, Utah 84111
 - (b) Mr. John Curtis
Chief Executive Officer
Orient Bancorporation
Chief Executive Officer and President
Bank of the Orient
100 Pine Street
Suite 600
San Francisco, California 94111

Miscellaneous

18. Notwithstanding any provision of this Agreement, the Reserve Bank may in its sole discretion, grant written extensions of time to Bancorporation or the Bank to comply with any provision of this Agreement.

19. The provisions of this Agreement shall be binding upon Bancorporation, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), in their capacities as such, and their successors and assigns.

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

21. 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 Bancorporation or the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

22. 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 18th of March, 2021.

ORIENT BANCORPORATION

FEDERAL RESERVE BANK
OF SAN FRANCISCO

By: /s/ John Curtis
John Curtis
President and CEO

By: /s/ Lee J. Kapos
Lee J. Kapos
Assistant Vice President

BANK OF THE ORIENT

By: /s/ John Curtis
John Curtis
President and CEO