



April 18, 2008

Dear Shareholder:

We are pleased to enclose our 2007 Annual Report and 2008 Notice of Annual Meeting, Proxy Statement and Form of Proxy.

You are cordially invited to attend the 2008 Annual Meeting of Shareholders, which will be held at 10:00 a.m. on Wednesday, May 21, 2008, at the La Quinta Inn and Suites Fremont, 46200 Landing Parkway, Fremont, California.

The accompanying Notice of Annual Meeting and Proxy Statement provide information pertaining to the matters to be considered and acted upon at the Annual Meeting.

Your continuing support of Pan Pacific Bank is appreciated, and we hope you will attend the Annual Meeting. Whether or not you are personally present, it is very important that your shares be represented at the Annual Meeting. Accordingly, please sign, date, and mail the enclosed Proxy promptly. If you wish to vote in accordance with the Board of Directors' recommendations, it is not necessary to specify your choices. You may simply sign, date and return the enclosed proxy card.

Sincerely,

Wayne S. Doiguchi  
Chairman of the Board

Joseph Y. Ching  
President and  
Chief Executive Officer



## Notice of Annual Meeting of Shareholders

The 2008 Annual Meeting of Shareholders (the “Annual Meeting”) of Pan Pacific Bank (the “Bank”) will be held at the La Quinta Inn and Suites Fremont, 46200 Landing Parkway, Fremont, California on Wednesday, May 21, 2008, at 10:00 a.m. for the following purposes:

1. To elect the following nominees to serve as directors of the Bank until the next annual meeting of shareholders and until their successors shall be elected and qualified:

Joseph Y. Ching	Linda S. Leung
Robert DeMarta	Marcel Liang
Wayne S. Doiguchi	Karen M. Miyahara
Joan C. Fong	McKenzie Moss
Nancy Y. Lee	Chin T. Wong
Anselm N. Leung	

2. To ratify the selection of Perry Smith LLP, independent certified public accountants, to serve as the Bank’s auditors for the fiscal year ending December 31, 2008.

3. To consider and transact such other business as may properly come before the Annual Meeting and any adjournments or postponements of the Annual Meeting.

Shareholders of record at the close of business on March 28, 2008 are entitled to notice of and to vote at the Annual Meeting.

Article II, Section 2.3 of the Bank’s Bylaws governs nominations for election of members of the Board of Directors as follows: Section 2.3. Nomination of Directors. “Nomination for election of members of the Board of Directors may be made by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors. Notice of intention to make any nominations shall be made in writing and shall be delivered or mailed, via certified mail, to the President of the Corporation not less than 21 days nor more than 60 days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 21 days notice of the meeting is given to shareholders, such notice of intention to nominate shall be mailed or delivered to the President of the Corporation not later than the close of business on the tenth day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of capital stock of the Corporation owned by each proposed nominee; (d) the name and residence address of the notifying shareholder; (e) the number of shares of capital stock of the Corporation owned by the notifying stockholder; (f) the number of shares of capital stock of any bank, bank holding company, savings and loan association or other depository institution owned beneficially by the nominee or by the notifying stockholder and the identities and locations of any such institutions; (g) whether the proposed nominee has ever been convicted of or

pleaded nolo contendere to any criminal offense involving dishonesty or breach of trust, filed a petition in bankruptcy or been adjudged bankrupt; and (h) a statement regarding the nominee's compliance with the requirements set forth in Section 2.4 of these By-Laws. Nominations not made in accordance herewith may, in the discretion of the Chairman of the meeting, be disregarded and upon the Chairman's instructions, the inspectors of election can disregard all votes cast for each such nominee. A copy of this paragraph shall be set forth in a notice to shareholders of any meeting at which Directors are to be elected."

Article II, Section 2.4 of the Bank's Bylaws sets forth qualification requirements for directors as follows: "Section 2.4. Qualification of Directors. No person shall serve as a member of the Board of Directors: (a) who is a director, officer, employee, agent, nominee, material consulting accountant, analyst, attorney or policy decision maker for any other financial institution, lender or bank holding company or affiliate or subsidiary thereof; or (b) who has been or is the assignee or nominee of anyone who has any contract, arrangement or understanding with any other financial institution, lender or bank holding company, or affiliate or subsidiary thereof, or with any officer, director, employee, agent, nominee, material consulting accountant, analyst, attorney or policy decision maker thereof, pursuant to which that person could be called upon to reveal or in any way utilize information obtained as a director or will, directly or indirectly, attempt to effect or encourage any action of this Corporation; provided, however, that the Board of Directors, in its sole discretion, may permit a person who does not satisfy one or more of the qualifications listed above to serve as a member of the Board of Directors following the Board's determination that such action will not compromise the business plan or strategic focus of this Corporation."

A notice to shareholders regarding issuance of a press release dated December 30, 2007 (the "Notice"), was mailed to shareholders announcing that the Bank had agreed to a cease and desist order (the "Order") with the Federal Deposit Insurance Corporation and the California Department of Financial Institutions to correct Bank Secrecy Act and other regulatory compliance deficiencies. The Order requires that the special notice accompany this Notice of Annual Meeting of Shareholders. Attached as Appendix A to the accompanying Proxy Statement is a copy of the Notice.

All shareholders are cordially invited to attend the Annual Meeting in person. To ensure your representation at the Annual Meeting, you are requested to date, execute and return the enclosed proxy card, without delay, in the enclosed postage-paid envelope whether or not you plan to attend the Annual Meeting. Any shareholder present at the Annual Meeting may vote personally on all matters brought before the Annual Meeting. If you elect to vote personally at the Annual Meeting, your proxy will not be used.

BY ORDER OF THE BOARD OF DIRECTORS

Barbara A. Murray  
Corporate Secretary

April 18, 2008  
Fremont, California

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING,  
PLEASE DATE, SIGN AND RETURN THE ENCLOSED PROXY  
AS PROMPTLY AS POSSIBLE IN THE ENCLOSED  
POSTAGE-PAID ENVELOPE.**

**PROXY STATEMENT  
FOR  
THE ANNUAL MEETING OF SHAREHOLDERS  
OF  
PAN PACIFIC BANK**

**MAY 21, 2008**

**INTRODUCTION**

This Proxy Statement is being furnished to the shareholders of Pan Pacific Bank (the "Bank") in connection with the solicitation of proxies by the Board of Directors of the Bank for use at the 2008 Annual Meeting of Shareholders to be held at the La Quinta Inn and Suites Fremont, 46200 Landing Parkway, Fremont, California, on Wednesday, May 21, 2008, at 10:00 a.m., and at any and all adjournments or postponements thereof (the "Annual Meeting").

This Proxy Statement and the accompanying Notice of Annual Meeting and form of Proxy are being mailed to shareholders on or about April 18, 2008.

**Revocability of Proxies**

Any shareholder who returns the form of Proxy accompanying this Proxy Statement has the power to revoke that Proxy prior to its exercise. The Proxy may be revoked prior to the Annual Meeting by delivering to the Secretary of the Bank either a written instrument revoking the Proxy or a duly executed proxy bearing a later date. The Proxy may also be revoked by the shareholder by attending and voting at the Annual Meeting. The Proxy will be voted as directed by the shareholder and if no directions are given on the Proxy, it will be voted "FOR" the nominees of the Board of Directors as described in this Proxy Statement, "FOR" the ratification of the selection of Perry-Smith LLP as independent certified public accountants for the year ending December 31, 2008, and, at the proxy holders' discretion, on such other matters, if any, which may come before the Annual Meeting and any and all adjournments or postponements of the Annual Meeting.

**Solicitation of Proxies**

The solicitation of proxies is being made by the Board of Directors of the Bank. The expense of preparing, assembling, printing, and mailing this Proxy Statement and the materials used in the solicitation of proxies for the Annual Meeting will be borne by the Bank. It is contemplated that proxies will be solicited principally through the use of the mail, but officers, directors, and employees of the Bank may solicit proxies personally or by telephone, without receiving special compensation therefore. The Bank will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding the Proxy Statement to shareholders whose stock in the Bank is held of record by such entities. In addition, the Bank may use the services of individuals or companies it does not regularly employ in connection with this solicitation of proxies, if the Board of Directors and management determine it to be advisable.

**Voting Securities; Record Date; Cumulative Voting**

There were issued and outstanding 1,584,500 shares of the Bank's common stock on March 28, 2008 (the "Record Date"), which has been fixed as the record date for the purpose of determining shareholders entitled to notice of, and to vote at, the Annual Meeting. On any matter submitted to the vote of the shareholders, each holder of Bank common stock will be entitled to one vote, in person or by proxy, for each share of common stock he or she held of record on the books of the Bank as of the Record

Date. Shares represented by proxies that reflect abstentions are treated as shares present and entitled to vote for purposes of determining a quorum, but have the same effect as a vote "AGAINST" a proposal. "Broker non-votes" (shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or persons entitled to vote and the broker or nominee does not have discretionary voting power under applicable rules of the stock exchange or other self-regulatory organization of which the broker or nominee is a member) are treated as shares present and entitled to vote for purposes of a quorum, but also have the same effect as a vote "AGAINST" a proposal.

In connection with the election of directors, shares may be voted cumulatively if a shareholder present at the Annual Meeting gives notice to the Chairman at the Annual Meeting, prior to the voting for election of directors, of his or her intention to vote cumulatively. If any shareholder of the Bank gives such notice, then all shareholders eligible to vote will be entitled to cumulate their shares in voting for the election of directors. In such event, the proxy holders will have discretionary authority to cumulate votes represented by proxies delivered pursuant to this Proxy Statement, in accordance with the recommendations of the Board of Directors. Cumulative voting allows a shareholder to cast a number of votes equal to the shares held in his or her name as of the Record Date multiplied by the number of directors to be elected. These votes may be cast for any one nominee, or may be distributed among as many nominees as the shareholder sees fit.

## **PROPOSAL NO. 1**

### **ELECTION OF DIRECTORS**

The Bank's Bylaws provide that the number of directors of the Bank shall not be less than nine (9) nor more than seventeen (17) until changed by an amendment to the Bylaws adopted by the Bank's shareholders. The Bylaws further provide that the exact number of directors may be set by resolution of the Board of Directors or shareholders. The Board of Directors has set the exact number of directors at eleven (11).

The persons named below, all of whom are incumbent directors, are nominated for election as directors at the Annual Meeting to serve until the 2009 Annual Meeting of Shareholders and until their successors are elected and qualified. Unless otherwise directed, votes will be cast by the proxy holders in such a way to effect, if possible, the election of the eleven (11) incumbent director-nominees named below including, in the event of cumulative voting, the authority of the proxy holders to cumulate votes represented by the shares covered by proxies in the election of directors. The eleven (11) nominees for director receiving the most votes will be elected as directors. In the event that any of the nominees should be unable to serve as a director, it is intended that the proxies received will be voted by the proxy holders for the election of such substitute nominee, if any, as shall be designated by the Board of Directors. The Board of Directors has no reason to believe that any of the nominees named below will be unable to serve if elected.

The following table sets forth the names of and certain information, as of the Record Date, concerning the persons nominated by the Board of Directors for election as directors of the Bank.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION AS DIRECTORS OF THE NOMINEES WHOSE NAMES APPEAR IN THE TABLE BELOW.**

Name	Age	Position With Bank	Director Since	Principal Occupation and Business Experience During Past Five Years
Joseph Y. Ching	68	Director, President and Chief Executive Officer	2007	President and Chief Executive Officer of Pan Pacific Bank since 2007; Senior Advisor to East-West Bank, Union City, CA from 2006 to 2007; and President and Chief Executive Officer of Bay Bank of Commerce, San Leandro, CA from 2001 to 2006.
Robert DeMarta	71	Director	2005	Partner in the accounting firm of Ireland San Filippo, LLP, Fremont, CA since 1993.
Wayne S. Doiguchi	58	Chairman of the Board	2005	President and Chief Executive Officer of Strata Ventures, LLC. San Jose, CA since 1995.
Joan C. Fong	50	Director	2005	President of Jack Lee Fong Insurance Agency, Inc. San Francisco, CA since 1994.
Nancy Y. Lee <sup>(1)</sup>	48	Director	2005	Executive Vice President and Chief Marketing Officer of Pan Pacific Bank since 2005; consultant to Pan Pacific Bank Organizing Group from 2004 to 2005; and First Vice President and Branch Manager of Far East National Bank, Fremont, CA from 2000 to 2004.
Anselm N. Leung	62	Director	2005	General Partner of Bio Asia LLC, a venture capital firm, Palo Alto, CA since 1997.
Linda S. Leung	47	Director	2005	Managing director of the tax firm Leung, Wong and Yee, Inc., Fremont, CA since 1996.
Marcel Liang	50	Vice Chairman of the Board	2005	Chief Executive Officer of ASI Corp, an electronics components distributor/wholesaler, Fremont, CA since 1986.
Karen M. Miyahara	58	Director	2005	Consultant to Pan Pacific Bank Organizing Group from 2004 to 2005; President of KM Group, since 2004; and Chief Financial Officer of Secast, Inc., Fremont, CA since 2006.
McKenzie Moss	78	Director	2005	Organizer and director of 1 <sup>st</sup> Capital Bank, Monterey, CA since 2006; author and consultant since 2003; and Director and Chairman of the Board of Monterey Bay Bank, Monterey, CA from 1998 to 2003.
Chin T. Wong	55	Director	2005	President of Venture Electronic, Inc., an electronics manufacturing company, Newark, CA since 1998; and Director of VM Services, Inc., an electronics manufacturing company, Newark, CA since 1996.

(1) Director Nancy Y. Lee resigned as Executive Vice President and Chief Marketing Officer of the Bank to be effective June 30, 2008, but remains a director of the Bank as described in this Proxy Statement.

None of the directors were selected pursuant to any arrangement or understanding other than with the directors and officers of the Bank acting within their capacities as such. There are no family relationships between any two or more of the directors, officers or persons nominated or chosen by the Board of Directors to become a director or officer.

No director or officer of the Bank serves as a director of any company which has a class of securities registered under, or which is subject to the periodic reporting requirements of, the Securities Exchange Act of 1934, or of any company registered as an investment company under the Investment Company Act of 1940, except Director Moss who also serves as a director of 1<sup>st</sup> Capital Bank, a California state-chartered bank headquartered at 5 Harris Ct., Building N, Suite 3, Monterey, California with branch offices in Monterey and Salinas, California and a loan production office in King City, California. In accordance with Section 2.4 of the Bank's Bylaws, the Board of Directors of the Bank has determined that Director Moss' service as a director of 1<sup>st</sup> Capital Bank will not compromise the business plan or strategic focus of the Bank.

None of the nominees were subject to any legal proceedings involving violations of securities laws, convictions in a criminal proceeding (excluding traffic violations and minor offenses) or had a petition under bankruptcy laws filed against themselves or an affiliate within the last five years.

### **Security Ownership of Certain Beneficial Owners and Management**

Management of the Bank knows of no person who owns, beneficially or of record, either individually or together with associates, 5 percent or more of the outstanding shares of Bank common stock, except as set forth in the table below. The following table sets forth, as of the Record Date, the number and percentage of shares of Bank common stock beneficially owned, directly or indirectly, by each of the Bank's directors, principal shareholders, the executive officers<sup>(1)</sup> named in the Summary Compensation Table, and all of the individuals named in the table as a group. Beneficial ownership generally includes shares over which a person named below has sole or shared voting or investment power and shares which such person has the right to acquire within 60 days of the Record Date. Unless otherwise indicated, the persons listed below have sole voting and investment powers respecting the shares beneficially owned.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner<sup>(2)</sup></b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Common Stock, No Par Value	Joseph Y. Ching	13,983 <sup>(3)</sup>	0.72%
Common Stock, No Par Value	Robert DeMarta	25,639 <sup>(4)</sup>	1.31%
Common Stock, No Par Value	Wayne S. Doiguchi	21,597 <sup>(5)</sup>	1.11%
Common Stock, No Par Value	Joan C. Fong	43,938 <sup>(6)</sup>	2.25%
Common Stock, No Par Value	Byron L. Lee	76,456 <sup>(7)</sup>	3.92%
Common Stock, No Par Value	Nancy Y. Lee	72,181 <sup>(8)</sup>	3.70%
Common Stock, No Par Value	Anselm N. Leung	38,639 <sup>(9)</sup>	1.98%
Common Stock, No Par Value	Linda S. Leung	25,396 <sup>(10)</sup>	1.30%
Common Stock, No Par Value	Marcel Liang	72,396 <sup>(11)</sup>	3.71%
Common Stock, No Par Value	Karen M. Miyahara	110,174 <sup>(12)</sup>	5.65%
Common Stock, No Par Value	McKenzie Moss	12,639 <sup>(13)</sup>	0.65%
Common Stock, No Par Value	Chin T. Wong	84,826 <sup>(14)</sup>	4.35%
All named individuals as a group (12 persons)		597,862 <sup>(15)</sup>	30.65%

- (1) As used in this document, the term “executive officer” of the Bank includes the President and Chief Executive Officer, Executive Vice President and Chief Credit Officer, and Executive Vice President and Chief Marketing Officer of the Bank.
- (2) The address for beneficial owners is c/o Pan Pacific Bank, 47065 Warm Springs Boulevard, Fremont, California 94539.
- (3) Mr. Ching has shared voting and investment powers as to 7,316 shares. Includes 6,667 shares subject to stock options exercisable within 60 days of the Record Date.
- (4) Mr. DeMarta has shared voting and investment powers as to 13,000 shares. Includes 12,639 shares subject to stock options exercisable within 60 days of the Record Date.
- (5) Mr. Doiguchi has shared voting and investment powers as to 10,000 shares. Includes 11,597 shares subject to stock options exercisable within 60 days of the Record Date.
- (6) Ms. Fong has shared voting and investment powers as to 31,500 shares. Includes 11,000 shares held in a personal individual retirement account, 17,000 shares held in a revocable living trust and 12,438 shares subject to stock options exercisable within 60 days of the Record Date.
- (7) Mr. Lee has shared voting and investment powers as to 30,275 shares. Includes 29,275 shares held in a personal individual retirement account, 1,000 shares held jointly with his spouse and includes 46,181 shares subject to stock options exercisable within 60 days of the Record Date.
- (8) Ms. Lee has shared voting and investment powers as to 26,000 shares. Includes 13,500 shares held in a personal individual retirement account, 12,500 shares held in a personal individual retirement account owned by her spouse and 46,181 shares subject to stock options exercisable within 60 days of the Record Date. Ms. Lee resigned as Executive Vice President and Chief Marketing Officer of the Bank to be effective June 30, 2008, but remains a director of the Bank as described in this Proxy Statement.
- (9) Mr. Leung has shared voting and investment powers as to 26,000 shares. Includes 26,000 shares held in a family trust and 12,639 shares subject to stock options exercisable within 60 days of the Record Date.
- (10) Ms. Leung has shared voting and investment powers as to 13,000 shares. Includes 10,000 shares held in a personal individual retirement account, 3,000 shares held in the name of her minor child and 12,396 shares subject to stock options exercisable within 60 days of the Record Date.
- (11) Mr. Liang has shared voting and investment powers as to 60,000 shares. Includes 60,000 shares held as trustee of a trust and 12,396 shares subject to stock options exercisable within 60 days of the Record Date.
- (12) Ms. Miyahara has shared voting and investment powers as to 60,000 shares. Includes 45,000 shares held in revocable trust, 2,000 shares held for a child under the Uniform Gifts to Minors Act, 4,500 shares held jointly with her other children, 8,500 shares held in a personal individual retirement account owned by her spouse and 50,174 shares subject to stock options exercisable within 60 days of the Record Date.
- (13) Mr. Moss has shared voting and investment powers as to 5,000 shares. Includes 7,639 shares subject to stock options exercisable within 60 days of the Record Date.
- (14) Mr. Wong has shared voting and investment powers as to 70,000 shares. Includes 14,826 shares subject to stock options exercisable within 60 days of the Record Date.
- (15) Includes 245,771 shares subject to stock options exercisable within 60 days of the Record Date.

## Executive Officers

The following table sets forth the name of and certain information, as of the Record Date, concerning the Bank's executive officers, except for Joseph Y. Ching, Director, President and Chief Executive Officer and Nancy Y. Lee, Executive Vice President and Chief Marketing Officer, as to whom such information is disclosed in the director-nominee table on page 3.

Name	Age	Position With Bank	Officer Since	Principal Occupation and Business Experience During Past Five Years
Byron L. Lee	58	Executive Vice President and Chief Credit Officer	2005	Executive Vice President and Chief Credit Officer of Pan Pacific Bank since 2005; consultant to the Pan Pacific Bank Organizing Group from 2004 to 2005; and First Vice President and Regional Credit Manager for Far East National Bank, San Jose, CA from 2001 to 2004.

## Executive Compensation

### Compensation Discussion and Analysis

The Compensation Committee establishes general compensation policies, as well as the salary of the Bank's executive officers. The Committee is composed of independent directors and meets a minimum of three times each year. Executive compensation is reviewed annually. Compensation for newly hired executive officers may be established by the Committee at a special meeting. In addition, the Committee oversees the benefit plans that cover all employees of the Bank.

The compensation policy of the Bank is designed to attract and retain highly qualified personnel. The primary components of executive officer compensation include a base salary and awards made pursuant to the Bank's 2005 Amended and Restated Equity Incentive Plan.

The Bank's general strategy is to pay annual compensation that is competitive with executive officers in similar positions at peer group banks, with consideration given to the Bank's growth in deposits and loans, overall financial condition and performance relative to banks in similar positions. In determining compensation levels, the Committee obtains executive salary surveys from industry trade associations and may consult with independent compensation and benefits experts. The granting of stock options and other forms of equity incentive compensation is based on an officer's responsibilities and relative position in the Bank. The granting of stock options and other forms of equity incentive compensation is recommended by the Committee to the Board of Directors for approval.

The following table reflects the compensation earned and paid to the Bank's executive officers for the fiscal years indicated.

## Summary Compensation Table

Name and Principal Position	Year	Salary <sup>(1)</sup>	Bonus <sup>(2)</sup>	Option Awards <sup>(3)</sup>	All Other Compensation <sup>(4)</sup>	Total
Joseph Y. Ching, <sup>(5)</sup> President and Chief Executive Officer	2007	\$ 83,844	-	\$ 7,858	\$ 5,000	\$ 96,702
	2006	-	-	-	-	-
Byron L. Lee, Executive Vice President; Chief Credit Officer	2007	\$135,439	-	\$38,000	\$ 11,055	\$184,494
	2006	\$135,000	-	\$38,000	\$ 10,808	\$183,808
Nancy Y. Lee, Executive Vice President; Chief Marketing Officer <sup>(6)</sup>	2007	\$135,153	-	\$38,000	\$ 11,070	\$184,223
	2006	\$135,000	-	\$38,000	\$ 10,803	\$183,803
Brian J. Conley, Former President and Chief Executive Officer <sup>(7)</sup>	2007	\$ 31,932	-	\$ 6,333	\$151,539	\$189,804
	2006	\$150,000	-	\$38,000	\$ 11,814	\$199,814
Sherry Price, Former Executive Vice President; Chief Operating Officer <sup>(8)</sup>	2007	\$ 37,394	-	\$ 3,400	\$ 2,737	\$ 43,531
	2006	\$135,000	-	\$13,596	\$ 8,551	\$157,147

- (1) Amounts shown include cash and non-cash compensation earned and received by executive officers as well as amounts earned but deferred at the election of those officers under the 401(k) Plan. The Bank entered into employment agreements with Mr. Ching, Mr. Lee and Ms. Lee, each dated as of July 1, 2007. These employment agreements are discussed hereafter in this Proxy Statement under the heading "Potential Post-Employment Payments."
- (2) Bonus payments, if any, are paid in the discretion of the Board after evaluation of financial results of operations and individual performance following the end of a fiscal year. No bonus payments have been paid to the named executive officers for the years indicated.
- (3) Amounts shown reflect the portion of the fair value for the year indicated recognized for financial statement purposes under FAS 123(R) of all outstanding stock option grants to the named executive officers. The assumptions related to calculation of the fair value of stock options under FAS 123(R) are listed in Note 1 to the Bank's audited financial statements included in the Bank's Annual Report to Shareholders. The Bank has a 2005 Amended and Restated Equity Incentive Plan (the "2005 Plan"), which was adopted by the Board of Directors of the Bank on July 27, 2005, and approved by shareholders at the annual meeting of shareholders held on December 14, 2005. Under the 2005 Plan, options and other equity awards may be granted to non-employee directors, organizers, officers, and employees of the Bank. Options granted under the 2005 Plan are either incentive stock options or nonstatutory stock options, however, only nonstatutory stock options may be granted to non-employee directors and organizers. Options granted become exercisable in accordance with a vesting schedule established at the grant date. Vesting cannot extend beyond ten years from the date of grant. Generally, vesting occurs ratably each month over a three year period commencing on the grant date, except in the case of grants to organizers which vested fully on the grant date. Upon a change in control of the Bank after the first three years of operations of the Bank, or upon the occurrence of certain other events as further described in the 2005 Plan, options under the 2005 Plan become fully vested and exercisable, or may be assumed or equivalent options may be substituted by a successor corporation. Options are adjusted to protect against dilution in the event of certain changes in the Bank's capitalization, including stock splits and stock dividends. All options granted under the 2005 Plan have an exercise price equal to the fair market value of the common stock on the date of grant.
- (4) Amounts shown include (i) the cost of premiums on health, vision, dental and life insurance policies that insure all employees including the executive officers in the amount of \$5,000 for Mr. Ching, \$6,000 for Mr. Lee, \$6,000 for Ms. Lee, \$324 for Mr. Conley and \$1,253 for Ms. Price in 2007 and \$0 for Mr. Ching, \$5,400 for Mr. Lee, \$5,400 for Ms. Lee, \$6,000 for Mr. Conley and \$5,400 for Ms. Price in 2006; (ii) termination payments in the amount of \$150,000 for Mr. Conley in 2007; and (iii) matching contributions to the 401(k) Plan of \$0 for Mr. Ching, \$5,055 for Mr. Lee, \$5,070 for Ms. Lee, \$1,215 for Mr. Conley and \$1,484 for Ms. Price in 2007 and \$5,408 for Mr. Lee, \$5,403 for Ms. Lee, \$5,814 for Mr. Conley and \$3,151 for Ms. Price in 2006.
- (5) Mr. Ching commenced employment with the Bank on March 1, 2007.
- (6) Director Nancy Y. Lee resigned as Executive Vice President and Chief Marketing Officer of the Bank to be effective June 30, 2008, but remains a director of the Bank as described in this Proxy Statement.

- (7) Mr. Conley was employed with the Bank during 2006 and resigned his position effective March 1, 2007.
- (8) Ms. Price was employed with the Bank during 2006 and resigned her position effective March 15, 2007.
- (9) The Bank has a 401(k) Plan which was adopted in 2005. Generally, all Bank employees are eligible to participate in the 401(k) Plan. Participating employees may defer a portion of their compensation in the 401(k) Plan and the Bank will make matching contributions on participant deferrals in amounts equal to the first 3% of salary deferred and 50% of the next 2% of salary deferred for a total maximum contribution equal to 4% of a participating employee's salary. Matching contributions have been made to the 401(k) Plan for the benefit of the named executive officers as described in footnote 4 above.

## Option Awards

The following table sets forth information concerning outstanding option awards under the Bank's 2005 Amended and Restated Equity Incentive Plan at fiscal year-end 2007.

### Outstanding Equity Awards at Fiscal Year-End Table

Name	Option Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
	Exercisable	Unexercisable			
Joseph Y. Ching	2,778 <sup>(1)</sup>	2,778 <sup>(1)</sup>	-	\$ 6.50	07/18/17
Byron L. Lee	39,583 <sup>(1)</sup>	39,583 <sup>(1)</sup>	-	\$10.00	07/27/15
Nancy Y. Lee <sup>(2)</sup>	39,583 <sup>(1)</sup>	39,583 <sup>(1)</sup>	-	\$10.00	07/27/15
Brian J. Conley <sup>(3)</sup>	-	-	-	-	-
Sherry Price <sup>(4)</sup>	-	-	-	-	-

(1) Reflects incentive stock options granted to each of the named executive officers, which vest ratably each month over a three year period commencing on the grant date. The option exercise price equals the fair market value on the grant date.

(2) Director Nancy Y. Lee resigned as Executive Vice President and Chief Marketing Officer of the Bank to be effective June 30, 2008, but remains a director of the Bank as described in this Proxy Statement.

(3) Mr. Conley resigned his position effective March 1, 2007. He did not exercise his vested and exercisable options.

(4) Ms. Price resigned her position effective March 15, 2007. She did not exercise her vested and exercisable options.

### Equity Compensation Plan Information

The table below lists information regarding Bank common stock issuable upon the exercise of stock options, the weighted average exercise price of those options and the number of shares available for issuance under the 2005 Amended and Restated Equity Incentive Plan at fiscal year-end 2007. The Bank has no other equity compensation plan and there are no warrants or other rights outstanding that would result in the issuance of shares of Bank common stock.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders	330,750	\$9.31	144,600
Equity compensation plans not approved by security holders	-0-	-0-	-0-
Total	330,750	\$9.31	144,600

### **Potential Post-Employment Payments**

**Employment Agreement with Mr. Ching.** The Bank and Mr. Ching entered into an employment agreement effective as of July 1, 2007. The employment agreement has a term of nine months. The agreement provides for a base salary reflected in the Summary Compensation Table above, participation in any formalized bonus and incentive plan as approved by the Board of Directors, and any other benefits provided to the Bank’s employees generally. In addition, Mr. Ching was granted stock options on July 18, 2007 to purchase 20,000 shares of Bank common stock at a grant price of \$6.50. The options vest ratably each month over three years commencing on the grant date. Mr. Ching’s employment with the Bank may be terminated at any time with or without cause by either party. In the event of termination by the Bank without cause, Mr. Ching will receive a severance payment equal to 12 months of his base salary. In the event of termination following a change in control of the Bank, Mr. Ching will receive a severance payment equal to 24 months of his base salary and a payment equal to 12 months of employee benefits to which Mr. Ching may be entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”).

**Employment Agreement with Mr. Lee.** The Bank and Mr. Lee entered into an employment agreement effective as of July 1, 2007. The employment agreement has a term of one year. The agreement provides for a base salary reflected in the Summary Compensation Table above, participation in any formalized bonus and incentive plan as approved by the Board of Directors, and any other benefits provided to the Bank’s employees generally. In addition, Mr. Lee was granted stock options on July 27, 2005 to purchase 47,500 shares of Bank common stock at a grant price of \$10.00. The options vest ratably each month over three years commencing on the grant date. Mr. Lee’s employment with the Bank may be terminated at any time with or without cause by either party. In the event of termination by the Bank without cause, no severance is payable to Mr. Lee. In the event of termination following a change in control of the Bank, Mr. Lee will receive a severance payment equal to 12 months of his base salary and a payment equal to 12 months of employee benefits to which Mr. Lee may be entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”).

**Employment Agreement with Ms. Lee.** The Bank and Ms. Lee entered into an employment agreement effective as of July 1, 2007. The employment agreement has a term of one year. The agreement provides for a base salary reflected in the Summary Compensation Table above, participation in any formalized bonus and incentive plan as approved by the Board of Directors, and any other benefits provided to the Bank’s employees generally. In addition, Ms. Lee was granted stock options on July 27, 2005 to purchase 47,500 shares of Bank common stock at a grant price of \$10.00. The options vest ratably each month over three years commencing on the grant date. Ms. Lee’s employment with the Bank may be terminated at any time with or without cause by either party. In the event of termination by the Bank without cause, no severance is payable to Ms. Lee. In the event of termination following a change in

control of the Bank, Ms. Lee will receive a lump sum severance payment equal to 12 months of her base salary and a payment equal to 12 months of employee benefits to which Ms. Lee may be entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”). Ms. Lee resigned as Executive Vice President and Chief Marketing Officer of the Bank to be effective June 30, 2008, but remains a director of the Bank as described in this Proxy Statement.

### Change of Control

Management is not aware of any arrangements, including the pledge by any person of shares of the Bank, the operation of which may at a subsequent date result in a change in control of the Bank.

### Director Compensation

Directors have not received fees for attendance at meetings of the Board of Directors or committees of the Board or any other form of compensation, except as described below, since the inception of operations of the Bank.

Directors received compensation in the form of the grant of stock options under the Bank’s 2005 Amended and Restated Equity Incentive Plan (the “2005 Plan”). The 2005 Plan set aside 475,350 shares of the Bank’s no par value common stock to be reserved for issuance upon exercise of options granted under the 2005 Plan for the grant of incentive and nonstatutory stock options to non-employee directors, organizers, officers, and employees of the Bank. Only nonstatutory options may be granted to non-employee directors, and organizers under the 2005 Plan. Non-employee directors and Bank organizers (who were not also directors, but contributed funds to the organization of the Bank) were granted nonstatutory options under the 2005 Plan to acquire 1,500 shares each (except for one grant of 1,000 shares) for a total of 20,500 shares of the Bank’s common stock at a grant price of \$10.00 per share, which reflected the fair market value of the Bank’s common stock on date of grant. The option grants were made subject to the approval of the 2005 Plan by the shareholders of the Bank. Nonstatutory stock options granted under the 2005 Plan generally vest ratably each month over a three year period commencing on the grant date in the case of non-employee directors and were vested fully upon the grant date in the case of Bank organizers. As of the Record Date, there were 158,700 shares reserved for issuance upon exercise of nonstatutory stock options (of which 147,229 shares were exercisable) by all non-employee directors and Bank organizers as a group at the respective grant prices described above.

The following table reflects the compensation earned and paid to the Bank’s directors during the fiscal year 2007.

**Director Compensation Table**

Name	Year	Fees Earned or Paid in Cash	Option Awards <sup>(1),(2)</sup>	All Other Compensation	Total
Joseph Y. Ching	2007	-	-	-	-
Robert DeMarta	2007	-	\$10,400	-	\$10,400
Wayne S. Doiguchi	2007	-	\$11,093	\$28,600 <sup>(3)</sup>	\$39,693
Joan C. Fong	2007	-	\$ 9,000	-	\$ 9,000
Nancy Y. Lee	2007	-	-	-	-
Anselm N. Leung	2007	-	\$10,200	-	\$10,200
Linda S. Leung	2007	-	\$10,400	-	\$10,400
Marcel Liang	2007	-	\$10,200	-	\$10,200
Karen M. Miyahara	2007	-	\$42,932	\$ 3,400 <sup>(3)</sup>	\$46,332
McKenzie Moss	2007	-	\$ 7,932	\$ 3,700 <sup>(3)</sup>	\$11,632
Chin T. Wong	2007	-	\$12,200	-	\$12,200

- (1) Amounts shown reflect the portion of the fair value for the year indicated recognized for financial statement purposes under FAS 123(R) of all outstanding stock option grants to the directors. The assumptions related to calculation of the fair value of stock options under FAS 123(R) are listed in Note 1 to the Bank's audited financial statements included in the Bank's Annual Report to Shareholders.
- (2) The option awards for Directors Joseph Y. Ching and Nancy Y. Lee are set forth in the Summary Compensation Table.
- (3) Amounts shown reflect (i) compensation paid to Director Doiguchi under a consulting agreement dated July 1, 2007 in the amount of \$25,200 payable at the rate of \$4,200 per month for management support services, which agreement is subject to review on or before June 30, 2008 and may be terminated by either party on 10 days advance written notice and (ii) compensation paid to Directors Doiguchi, Miyahara and Moss for services as interim management following the resignation of Brian J. Conley.

## **Transactions with Related Persons**

There have been no material transactions since January 1, 2007, nor are there any presently proposed transactions, to which the Bank was or is to be a party in which the amount involved exceeds the lesser of \$120,000 or 1% of the average of the Bank's total assets at year-end for the last two fiscal years, and in which any director, executive officer, nominee for director, or 5% shareholder, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

## **Indebtedness of Management and Directors**

Some of the Bank's directors and executive officers, as well as members of their immediate families and associates, are customers of, and have had banking transactions with, the Bank in the ordinary course of the Bank's business, and the Bank expects to have such ordinary banking transactions with these persons in the future. In the opinion of management of the Bank, all loans and commitments to lend included in such transactions were made in the ordinary course of business on the same terms, including interest rates and collateral, as those prevailing for comparable transactions with other persons of similar creditworthiness, and do not involve more than the normal risk of collectibility or present other unfavorable features. While the Bank does not have any limits on the aggregate amount it may lend to directors and executive officers as a group, loans to individual directors and executive officers must comply with the Bank's lending policies and statutory lending limits. In addition, prior approval of the Bank's Board of Directors is required for all such loans. The aggregate amount of indebtedness including extensions of credit or overdrafts, endorsements and guarantees outstanding at any time since the beginning of the Bank's last fiscal year and as of the latest practicable date did not exceed (i) the lesser of ten percent of the equity capital accounts of the Bank or five million dollars as to each such director or executive officer, as well as members of their immediate families and associates, or (ii) twenty percent of the equity capital accounts of the Bank as a group.

## **CORPORATE GOVERNANCE**

### **Code of Ethics**

The Board of Directors has adopted a "code of ethics" that requires the Bank's directors, officers (including the principal executive, financial and accounting officers, or controller and persons performing similar functions) and employees to conduct business in accordance with the highest ethical standards and in compliance with all laws, rules and regulations applicable to the Bank. The code of ethics may be obtained by any shareholder, without charge for one copy, by writing to Pan Pacific Bank, 47065 Warm Springs Boulevard, Fremont, California 94539, Attention: Barbara A. Murray, Corporate Secretary.

### **Director Independence**

The Bank has adopted the NASDAQ "independence" listing rules definition to determine the independence of its directors and nominees for election as directors. Each member of the Board of

Directors and nominee for election as a director (except Directors Joseph Y. Ching and Nancy Y. Lee) is qualified as “independent” under such NASDAQ definition.

### **Board Committees and Attendance**

The Bank’s Board of Directors met 35 times for regularly scheduled and special meetings during 2007. Each director attended at least 75% of the aggregate of: (i) the total number of meetings of the Board of Directors; and (ii) the total number of meetings of board committees on which each director served, with the exception of Director C.T. Wong who attended 63% of the aggregate meetings. Average director attendance at the combination of Board and Committee meetings was 90.3%.

**Asset-Liability Committee.** The Asset-Liability Committee reviews, approves and monitors the policies and procedures governing investments and asset/liability management. The members of the Committee are Directors Linda Leung (Chair), Wayne Doiguchi and Karen Miyahara. The Committee met 15 times during 2007.

**Audit Committee.** The Audit Committee reviews or causes to be reviewed, in accordance with procedures approved by the Board of Directors, all reports of examination of the Bank made by regulatory authorities, and makes or causes to be made in accordance with procedures approved by the Board of Directors, third party examinations and audits of the Bank. The Committee regularly reports to the Board of Directors its findings, conclusions and recommendations, if any, relating to the adequacy of internal controls and procedures in accordance with applicable laws, regulations and sound financial accounting principles. Each Committee member is deemed “independent” as defined under NASDAQ listing rules and financially sophisticated and qualified to review the Bank’s financial statements. The Committee has not designated an Audit Committee Financial Expert. The members of the Committee are Directors Robert DeMarta (Chair), Linda Leung and McKenzie Moss. The Committee met 14 times during 2007. The Bank’s Audit Committee Charter is attached as Appendix B to this Proxy Statement.

### **Audit Committee Report**

The Audit Committee has reviewed and discussed the audited financial statements of the Bank for the fiscal year ended December 31, 2007 with management and Perry-Smith LLP, the Bank’s independent public accountants. The Committee has also discussed with Perry-Smith LLP the matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor’s Communication With Those Charged With Governance) as may be modified or supplemented. The Committee has also received the letter from Perry-Smith LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) as may be modified or supplemented, and the Committee has discussed the independence of Perry-Smith LLP with that firm. Based on the Committee’s review and discussions noted above, the Committee recommended to the Board of Directors that the Bank’s audited financial statements be included in the Bank’s Annual Report to Shareholders for the fiscal year ended December 31, 2007.

Submitted by: /s/Robert DeMarta /s/Linda Leung /s/McKenzie Moss

**Compensation Committee.** The Compensation Committee is responsible for establishing general compensation policies and procedures and reviewing the Bank’s overall salary and benefits structure. The Committee operates in accordance with a charter. The members of the Committee are each “independent” as defined under applicable NASDAQ listing rules. Joseph Y. Ching, President and Chief Executive Officer, does not participate in deliberations of the Committee regarding his own compensation. Mr. Ching may, however, provide peer bank information from recognized banking industry sources regarding compensation and benefits for directors, officers and employees to be considered by the members of the Committee along with his recommendations regarding compensation and benefits for officers and employees. No compensation consultants were engaged to provide advice regarding compensation and

benefits during 2007. The members of the Committee are Directors C.T. Wong (Chair), Robert DeMarta, Joan Fong, and Marcel Liang. The Committee met 9 times during 2007. The Bank's Compensation Committee Charter is attached as Appendix C to this Proxy Statement.

### **Compensation Committee Report**

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on such review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by: /s/Chin Wong /s/Robert DeMarta /s/Joan Fong /s/Marcel Liang

**Directors Loan Committee.** The Directors Loan Committee is responsible for establishing loan policies and procedures and reviewing the Bank's loan portfolio. The Committee also has general oversight responsibility for the Bank's policy and performance under the Community Reinvestment Act. The members of the Committee are Directors Wayne Doiguchi (Chair), Joseph Ching, Nancy Lee, Anselm Leung, McKenzie Moss and C.T. Wong. The Committee met 37 times during 2007.

**Nominating Committee.** The Bank does not have a Nominating Committee. The full Board of Directors performs the functions of a Nominating Committee which include evaluation and recommendation of candidates for nomination as directors of the Bank. Candidates are selected by a majority of directors who are "independent" as defined under the NASDAQ listing rules. The Board of Directors operates in accordance with a Nominating Charter and policies established by the Board of Directors. Any recommendations by shareholders will be evaluated by the Board of Directors in the same manner as any other recommendation. Shareholders that desire to recommend candidates for consideration by the Bank's Board of Directors must mail or deliver written recommendations to the Bank addressed as follows: Board of Directors, Pan Pacific Bank, 47065 Warm Springs Boulevard, Fremont, California 94539. Any recommendation must include biographical information indicating the background and experience of the candidate that qualifies the candidate for consideration as a director for evaluation by the Board of Directors. In addition to minimum standards of "independence" for non-employee directors and financial literacy, the Board of Directors considers various other criteria including the candidate's experience and expertise, financial resources, ability to devote the time and effort necessary to fulfill the responsibilities of a director and involvement in community activities in the market areas served by the Bank that may enhance the reputation of the Bank. The Bank operates in a highly regulated industry and is subject to the supervision, regulation and periodic examination by state and federal banking regulatory authorities including the California Commissioner of Financial Institutions and Federal Deposit Insurance Corporation. Directors of the Bank are subject to certain rules and regulations and potential liabilities not otherwise applicable to directors of non-banking organizations. Consequently, evaluation of candidates by the Bank's Board of Directors may include more extensive inquiries into personal background information including confirmation of the accuracy and completeness of background information by such means as (a) requiring candidates to complete questionnaires to elicit information of the type required to be disclosed by the Bank in reports filed with such state and federal banking regulatory authorities, (b) conducting background investigations by qualified independent organizations experienced in conducting criminal and civil investigatory reviews, and (c) such other personal and financial reviews and analyses as the Board of Directors may deem appropriate in connection with the consideration of candidates. Shareholders who wish to nominate a candidate for election to the Bank's Board of Directors, as opposed to recommending a potential nominee for consideration by the Board of Directors, are required to comply with the advance notice and any other requirements of the Bank's bylaws, applicable laws and regulations. The Board of Directors may elect to use third parties in the future to identify or evaluate candidates for consideration by the Board of Directors. The Bank's Nominating Charter is attached to this Proxy Statement as Appendix D.

## Shareholder Communications

A majority of the members of the Board of Directors, each of whom is “independent” as defined under the NASDAQ listing rules, has established procedures for receipt and delivery of shareholder communications addressed to the Board of Directors. Any such shareholder communications, including communications by employees of the Bank solely in their capacity as shareholders, should be mailed or delivered to the Bank addressed as follows: Board of Directors, Pan Pacific Bank, 47065 Warm Springs Boulevard, Fremont, California 94539.

## Annual Meeting Attendance

The Bank encourages members of its Board of Directors to attend the Bank’s Annual Meeting of Shareholders each year. All of the directors attended the Bank’s 2007 Annual Meeting of Shareholders.

## PROPOSAL NO. 2

### RATIFICATION OF THE SELECTION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Perry-Smith LLP has served as the Bank’s independent certified public accountants during the fiscal years 2007 and 2006. Perry-Smith LLP provided various services to the Bank as described below during the fiscal years 2007 and 2006.

Perry-Smith LLP has no interests, financial or otherwise, in the Bank and the Bank has had no disagreements with its accountants with respect to accounting principles, practices or financial statement disclosure. It is anticipated that one or more representatives of Perry-Smith LLP will be present at the Annual Meeting and will be able to make a statement if they so desire and answer appropriate questions.

The table below summarizes the services rendered to the Bank by Perry-Smith LLP during the fiscal years 2007 and 2006.

Category of Services	Fiscal Year 2007	Fiscal Year 2006
Audit Fees <sup>(1)</sup>	\$45,245	\$29,035
Audit-Related Fees <sup>(2)</sup>	\$ 4,900	\$ 2,810
Tax Fees <sup>(3)</sup>	\$11,618	\$12,230
All Other Fees	-	-
Total Accounting Fees	\$61,763	\$44,075

(1) Audit fees consisted primarily of services related to audit of the Bank’s financial statements.

(2) Audit-related fees consisted primarily of FAS 123R expense calculations and footnote preparation, FAS 109 tax calculations and review of fixed assets.

(3) Tax fees consisted primarily of assistance relating to tax compliance, tax advice, tax planning and related tax services.

The Audit Committee approved 100% of all professional services rendered by Perry-Smith LLP during 2007, including pre-approval of all audit and permissible non-audit services, and considered whether the provision of such services is compatible with Perry-Smith LLP maintaining its independence.

The Board of Directors has selected Perry-Smith LLP to serve as the Bank's independent certified public accountants for the year 2008. The ratification of the selection of Perry-Smith LLP as the Bank's independent certified public accountants requires the affirmative vote of the holders of a majority of the

shares of the Bank's common stock present in person or represented by proxy and entitled to vote at the Annual Meeting. If shareholders do not ratify the selection of Perry-Smith LLP, the Board of Directors will reconsider the selection. The Board of Directors reserves the right, in its discretion, to select alternative independent certified public accountants notwithstanding ratification by shareholders, at any time that the Board of Directors determines that such a change would be in the best interests of the Bank and its shareholders.

## **THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 2.**

### **WEBSITE ACCESS**

The Bank maintains a website at [www.panpacificbank.com](http://www.panpacificbank.com) where additional information regarding the Bank may be obtained.

### **ANNUAL REPORT**

The Annual Report to Shareholders for the year ended December 31, 2007, is being mailed concurrently with this Proxy Statement to all shareholders of record as of the Record Date.

### **SHAREHOLDERS' PROPOSALS**

Next year's Annual Meeting of Shareholders is currently scheduled to be held on May 20, 2009. Any shareholder desiring to submit a proposal for action at the 2009 Annual Meeting of Shareholders which is desired to be presented in the Bank's Proxy Statement with respect to the 2009 Annual Meeting of Shareholders, should mail the proposal by certified mail, return receipt requested, to Pan Pacific Bank, 47065 Warm Springs Boulevard, Fremont, California 94539, Attention: Barbara A. Murray, Corporate Secretary. All such proposals must be received by the Bank not later than December 31, 2008. Matters pertaining to such proposals, including the number and length thereof, eligibility of persons entitled to have such proposals included, and other aspects, are subject to all applicable laws and regulations.

### **OTHER MATTERS**

Management is not aware of any other matters to come before the Annual Meeting. If any other matter not mentioned in this Proxy Statement is brought before the Annual Meeting or any adjournments or postponements thereof, the persons named in the enclosed form of Proxy will have discretionary authority to vote all proxies with respect thereto in accordance with the recommendations of management.

PAN PACIFIC BANK

Barbara A. Murray  
Corporate Secretary

Fremont, California  
April 18, 2008

## APPENDIX A



### NOTICE TO SHAREHOLDERS REGARDING REGULATORY AGREEMENT

Dear Shareholder:

This notice is provided to advise you that Pan Pacific Bank (the "Bank") issued a press release dated December 30, 2007, to announce that the Bank has agreed to a cease and desist order (the "Order") with the Federal Deposit Insurance Corporation (the "FDIC") and the California Department of Financial Institutions (the "CDFI") to correct Bank Secrecy Act ("BSA") and other regulatory compliance deficiencies. A copy of the press release accompanies this Notice to Shareholders.

The Board of Directors and management of the Bank take the Order and the issues raised by the Order very seriously and have taken or are in the process of taking steps to comply with each provision of the Order. The purpose of the Order is to help the Bank correct the deficiencies noted below.

The Order requires the Bank to take the following actions within the time specified following the effective date of the Order:

1. Within 60 days, develop and adopt a written analysis and assessment of the Bank's management and staffing needs ("Management Plan"). Such Management Plan should be submitted for review to the Regional Director of the San Francisco Regional Office ("Regional Director") and the Commissioner of the California Department of Financial Institutions ("Commissioner"). The Management Plan shall include, at a minimum: (a) identification of both the type and number of officer positions needed to properly manage and supervise the business affairs of the Bank; (b) procedures to recruit and hire additional or replacement personnel with the requisite ability, experience and other qualifications, which the Board of Directors ("Board") determines are necessary, to: (i) fill Bank officer or staff member positions consistent with the Management Plan; (ii) determine the staffing needs and resources to operate the Bank; and (iii) to provide for an orderly succession of management should a disruption in the current chain of management occur. (iv) Such Management Plan and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitation of the Bank.

2. Within 90 days, identify and conduct a review of all high-risk account transactions since March 2007 ("Transaction Review") and prepare and file Suspicious Activity Reports ("SARs") and Cancel Transaction Reports ("CTRs") as necessary based upon the review. The Regional Director and the Commissioner may also extend the Transaction Review period if necessary based upon the results of the Transaction Review. (a) Within 10 days of preparing a plan for the Transaction Review, but prior to commencement of the Transaction Review, the Bank shall submit to the Regional Director and the Commissioner a written plan for approval that sets forth: (i) the scope of the Transaction Review, including the types of accounts and transactions to be reviewed; (ii) the expertise and resources to be dedicated to the Transaction Review; (iii) the anticipated date of completion of the Transaction Review; and (iv) a commitment that any interim reports, draft reports or workpapers associated with the Transaction Review will be made available to the Regional Director and the Commissioner upon request. (b) Upon completion of the reviews required pursuant to the paragraphs above, the Bank shall submit the written

findings of the review and copies of any additional SARs and CTRs filed to the Regional Director and the Commissioner. (c) Throughout the Transaction Review, the Bank shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations. (d) Documentation supporting any determination made pursuant to the above paragraph 2 shall be retained in the Bank's records for such period of time as may be required by any applicable rules or regulations.

3. Within 90 days of the effective date of this ORDER, the Bank shall comply in all material respects with the BSA and its rules and regulations.

4. Within 90 days of the effective date of this ORDER, the Bank shall correct all violations of law as set forth in the FDIC's Report of Examination dated June 11, 2007. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

5. Within 90 days of the effective date of this ORDER, the Bank shall develop, adopt and implement a written compliance program, as required by the applicable provisions of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, designed to, among other things, ensure and maintain compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto. The program shall ensure that clear and comprehensive BSA compliance reports are provided to the Bank's Board on a monthly basis. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner and shall be implemented in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall: (a) Establish a system of internal controls to ensure compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions to ensure that they are not being conducted for illegitimate purposes and that there is full compliance with all applicable laws and regulations. (b) Provide for independent testing of compliance with the BSA, all applicable rules and regulations related to the BSA, and the reporting of suspicious transactions required to be reported pursuant to Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353. The independent testing shall be conducted on an annual basis and in accordance with the procedures described in the Federal Financial Institutions Examination Council BSA/AML guidance. The independent testing, at a minimum, should address the following: (i) overall integrity and effectiveness of the BSA/AML compliance program, including policies, procedures, and processes; (ii) BSA/AML risk assessment; (iii) BSA reporting and recordkeeping requirements; (iv) Customer Identification Program implementation; (v) adequacy of customer due diligence policies, procedures, and processes and whether they comply with internal requirements; (vi) personnel adherence to the Bank's BSA/AML policies, procedures, and processes; (vii) appropriate transaction testing, with particular emphasis on high-risk operations (products, service, customers, and geographic locations); (viii) training adequacy, including its comprehensiveness, accuracy of materials, the training schedule, and attendance tracking; (ix) integrity and accuracy of management information systems used in the BSA/AML compliance program; (x) an evaluation of management's efforts to resolve violations and deficiencies noted in the previous tests or audits and regulatory examinations; and (xi) an assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared SARs to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policy. (c) Written reports shall be prepared which document the testing results and provide recommendations for improvement. Such reports shall be presented to the Bank's Board; (d) Ensure that the Bank's BSA compliance program is managed by a qualified officer who has the requisite authority, responsibility, training, resources, and management reporting structure to ensure compliance with the Bank's BSA/AML program and BSA related regulations including, without limitation; (i) the identification of timely, accurate and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Bank; (ii) monitoring the Bank's

compliance and ensuring that full and complete corrective action is taken with respect to previously identified violations and deficiencies; and (iii) identifying and developing BSA back-up personnel who are knowledgeable and trained to administer the BSA function on an interim basis, including planned absences of the BSA Officer, to ensure the continuity of the BSA compliance program. (e) Provide and document training by competent staff and/or independent contractors of all board members and all appropriate personnel, including, without limitation, senior management, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel, in all aspects of regulatory and internal policies and procedures related to the BSA, with a specific concentration on accurate recordkeeping, form completion and the detection and reporting of known and/or suspected criminal activity. Training shall be updated on a regular basis to ensure that all personnel are provided with the most current and up to date information.

6. Within 90 days of the effective date of this ORDER, the Bank shall develop, adopt and implement a written Customer Due Diligence (“CDD”) program. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the CDD program shall provide for the following: (a) A risk focused assessment of the customer base of the Bank to determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at or through the Bank. (b) For those customers whose transactions require enhanced due diligence; procedures to: (i) determine the appropriate documentation necessary to confirm the identity and business activities of the customer; (ii) understand the normal and expected transactions of the customer; and (iii) reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and supervisory authorities, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

7. Within 90 days of the effective date of this ORDER, the Bank shall establish and implement policies and procedures to advise the Bank's Board of significant Suspicious Activity Reports (“SARs”). At a minimum, the Board shall be advised in detail of all SARs involving employees, contractors, officers and directors. The policies and procedures shall also include guidelines to determine what SARs are significant.

8. Within 30 days of the effective date of this ORDER, the Bank shall revise, adopt and implement its BSA Policy to include provisions which implement the requirements of paragraphs 1-7 of this ORDER. The Bank's Board and management shall fully implement the provisions of the revised BSA Policy. The revised BSA Policy, and its implementation, shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank.

9. Following the effective date of this ORDER, the Bank's Board shall monitor and confirm the completion of actions taken by management to comply with the terms of this ORDER. The Board shall certify in writing to the Regional Director and the Commissioner when all of the above actions have been accomplished. All actions taken by the Board pursuant to this ORDER shall be duly noted in the minutes of its meetings. The committee shall receive reports from the qualified officer appointed in paragraph 5(d) regarding compliance with the BSA and Parts 326 and 353, at least monthly, and shall report to the Bank's Board at every meeting.

10. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within thirty (30) days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

11. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

We appreciate your continued support.

Sincerely,

/s/ WAYNE DOIGUCHI  
Wayne Doiguchi, Chairman of the Board

/s/ JOSEPH CHING  
Joseph Ching, President and CEO

Enclosure

## APPENDIX B

### PAN PACIFIC BANK Audit Committee Charter

*(As adopted/amended by the Board of Directors on November 16, 2005)*

#### **I. PURPOSE**

The purpose of the Audit Committee of the Board of Directors of Pan Pacific Bank is to (A) assist Board oversight of (a) the integrity of the Bank's financial statements, (b) the Bank's compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence, and (d) the performance of the Bank's internal audit function and independent auditors, and (B) prepare the report that the rules of the Securities and Exchange Commission ("SEC" or "Commission") require be included in the Bank's annual proxy statement, at such time as this requirement may become applicable to the Bank.

#### **II. RESPONSIBILITIES OF AUDIT COMMITTEE**

The Audit Committee has the specific responsibilities and authority necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") relating to: (i) registered public accounting firms, (ii) complaints relating to accounting, internal accounting controls or auditing matters, (iii) authority to engage advisors, and (iv) funding as determined by the Audit Committee, all as described in more detail in the provisions of this Charter.

The Board of Directors recognizes that the Bank's management is responsible for preparing the Bank's financial statements and providing an appropriate system of internal controls, and that independent auditors are responsible for auditing the financial statements and reviewing the Bank's internal controls. In fulfilling these responsibilities, the independent auditors are ultimately accountable to the Audit Committee and management is ultimately accountable to the Audit Committee and the Board of Directors.

Nothing in this Charter should be construed to imply that the Audit Committee is required to provide or does provide any assurance or certification as to the Bank's financial statements or as to its compliance with laws, rules or regulations.

In order to fulfill its oversight responsibility, the Audit Committee must be capable of conducting free and open discussions with management, internal and independent auditors, employees and others regarding the quality of the financial statements and the system of internal controls.

The specific duties of the Audit Committee shall be as follows:

##### **Independent Auditors**

1. Appoint independent auditors, subject, if appropriate, to shareholder ratification, and review and evaluate their performance throughout the year. The evaluation should include the review and evaluation of the lead partner of the independent auditor. In making its evaluation, the audit committee should take into account the opinions of management and the Bank's internal auditors or other personnel responsible for the internal audit function.
2. Replace independent auditors where the Committee deems it appropriate.

3. Review and approve fee arrangements for independent auditors.
4. Ensure the auditor's independence by:
  - (i) requiring that the auditors annually submit to the Audit Committee a formal written statement delineating all relationships between the auditors and the Bank;
  - (ii) actively engaging in a dialogue with the auditors with respect to any disclosed relationships or services that may impact their objectivity and independence, including the matters required by Independence Standards Board Standard No. 1 Independence Discussions with Audit Committees (as it may be modified or supplemented);
  - (iii) reviewing any relationships between the auditors and the Bank, or any other relationship, that may adversely affect the auditors' independence;
  - (iv) reviewing and approving any management consulting engagements or any other non-audit services proposed to be undertaken by such auditors on behalf of the Bank; and
  - (vi) setting clear policies defining the circumstances under which the Bank is permitted to hire former employees of the independent auditors.
3. Annually require the auditors to confirm in writing their understanding of the fact that they are ultimately accountable to the Audit Committee.
4. Annually review the auditors' proposed audit plan and approach, as well as staffing and timing of the audit and related matters.
5. Review, at least annually, the auditor's report on its internal quality controls and any material issues and the steps taken and to be taken to deal with issues raised by the independent auditor's internal quality review, peer review, or inquiry by governmental or professional organizations, at any time within the past five years.
6. Obtain from management, review and approve a description of issues and responses whenever a second opinion is proposed by management to be sought from another outside accountant.
7. Require the auditors to rotate every five years the lead or coordinating audit partner in charge of the Bank's audit and the audit partner responsible for reviewing the audit.
8. Periodically consider the advisability of rotating the independent audit firm to be selected as the Bank's independent auditors. The audit committee should present its conclusions with respect to the independent auditor to the full board.

#### Financial Statements

9. Review major issues regarding accounting principles and financial statement presentations, including:
  - (i) any significant changes in the Bank's selection or application of accounting principles;
  - (ii) any major issues as to the adequacy of the Bank's internal controls and any special audit steps adopted in light of material control deficiencies;
  - (iii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;

- (iv) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank; and
  - (v) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of “pro forma,” or “adjusted” non-GAAP, information), as well as review any financial information and earnings guidance provided to analysts and rating agencies.
- 10. Require the Bank’s auditors to timely report to the Committee:
  - (i) all critical accounting policies and practices to be used;
  - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the issuer, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the registered public accounting firm; and
  - (iii) other material written communications between the registered public accounting firm and the management of the issuer, such as any management letter or schedule of unadjusted differences.
- 11. Reviewing all off-balance sheet transactions for compliance with applicable accounting rules and legal disclosure rules.
- 12. Conduct with the independent auditors a post-audit, pre-issuance review of the Bank’s annual financial statements, the auditor’s opinion thereon, and any problems, difficulties or disagreements with management encountered by the auditors during the course of the audit, and management’s response, including reviewing with the auditor:
  - (i) any restrictions on the scope of the independent auditor’s activities or on access to requested information;
  - (ii) any accounting adjustments that were noted or proposed by the auditor but were “passed” (as immaterial or otherwise);
  - (iii) any communications between the audit team and the audit firm’s national office respecting auditing or accounting issues presented by the engagement;
  - (iv) any “management” or “internal control” letter issued, or proposed to be issued, by the auditor to the Bank; and
  - (iv) the responsibilities, budget and staffing of the Bank’s internal audit function.
- 13. Discuss the quarterly and annual financial statements with the appropriate officers and/or employees of the Bank and with the independent auditors, including the Bank’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- 14. Discuss with the auditors the matters required to be discussed by relevant auditing standards, including the quality, and not just the acceptability, of the accounting principles and underlying estimates used in the statements.
- 15. If the Committee finds the annual financial statements acceptable, to recommend to the Board of Directors that they be included in the Bank’s annual report on Form 10-K or 10-KSB, at such time as the Bank may become subject to this reporting requirement.
- 16. Prepare a report to the shareholders of the Bank in each proxy statement, as required by the rules of the SEC, at such time as the Bank may become subject to this requirement.

17. Review and discuss with the Bank's financial management and the independent auditors the quarterly earnings releases (paying particular attention to any use of "pro forma," or "adjusted" or other non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.
18. Review the schedule of unrecorded adjustments to the Bank's financial statements and the reasons underlying the Bank's assessment of the immateriality of such adjustments.
19. Review prior to publication or filing and approve such other Bank financial information, including appropriate regulatory filings and releases that include financial information, as the Committee deems desirable.

#### Internal Accounting and Control Functions

20. Review the adequacy of the Bank's system of internal accounting and financial control.
21. Annually review the quality of internal accounting and financial control, the auditor's report or opinion thereon and any recommendations the auditor may have for improving or changing the Bank's internal controls, as well as management's letter in response thereto and any other matters required to be discussed under Statement of Auditing Standards No. 61 (as it may be modified or supplemented).
22. Discuss policies with respect to the Bank's risk assessment and risk management, and review the Bank's major financial risk exposures and the steps management has taken and proposes to take to monitor and control such exposures.
23. Recommend to the Board of Directors for appointment, in consultation with executive management, the Bank's Director of Internal Audit if appropriate.
24. Review and approve the budgets and staffing for the Internal Audit Department.
25. Annually review the results of the Internal Audit Department's reviews and audits.
26. Review compliance with the Bank's Corporate Code of Business Conduct.
27. Review for approval all related party transactions for potential conflict of interest situations. The term "related party transaction" shall refer to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.
28. Review proposed future internal audit plans.

#### **III. REPORTING RESPONSIBILITIES**

29. Regularly report its activities, concerns, conclusions and recommendations to the Board of Directors, reviewing with the Board any issues that arise with respect to the quality or integrity of the Bank's financial statements, the Bank's compliance with legal or regulatory requirements, the performance and independence of the Bank's independent auditors, or the performance of the internal audit function.

#### **IV. AUTHORITY OF COMMITTEE**

30. The Audit Committee and each of its members may communicate directly and/or privately with the Bank's directors, officers, employees, consultants, agents, internal auditors, independent auditors, attorneys-in-fact, counsel and advisors, and any and all third parties, and require the full cooperation of all such persons, in the performance of the Committee's functions.

31. The Committee may cause an investigation to be made into any matter within the scope of its responsibilities under this Charter as the Committee deems necessary, or as otherwise authorized, requested or directed by the Board or Directors. The Committee may require Bank personnel to assist in any such investigation, and may engage independent resources to assist in such investigations as it deems necessary.

32. The Chair of the Audit Committee is authorized and empowered to expend corporate funds to retain and secure independent auditors for the Bank and such consultants, advisors, attorneys, investigatory services or other expert advice and assistance, and to fund ordinary administrative expenses of the Audit Committee, as are necessary or appropriate to carry out its duties under these resolutions and this Charter, including the authority and power to sign, execute and deliver any and all such checks, drafts, vouchers, receipts, notes, documents, contracts and any other instruments whatsoever as he or she shall deem appropriate, in the name and on behalf of the Bank.

#### **V. COMMITTEE MEMBERSHIP**

33. The membership of the Audit Committee shall consist of three or more directors each of whom shall:

- (i) have been appointed by the Board of Directors; and
- (ii) have been determined by the Board of Directors to fulfill the requirements for membership on the Committee as provided in the federal securities laws, the rules of the SEC thereunder and the rules of NASDAQ, as such provisions may be amended from time to time.

34. No member of the Audit Committee, including the Chair, may simultaneously serve on the audit committee of more than two other corporations besides the Bank, unless the Board of Directors determines that such simultaneous service would not impair the director's ability to effectively serve on the Bank's Audit Committee and such determination is disclosed in the Bank's proxy statements relating to its annual meetings of shareholders.

35. The Board of Directors reserves all authority permitted under the rules of the Commission and the relevant listing authority in connection with any matter referred to in this Charter, including but not limited to the determination of independence of Audit Committee members.

#### **VI. MEETINGS**

36. The Audit Committee shall meet as often as necessary to fulfill its functions as determined by the Committee, but no less than four times annually.

37. At least quarterly, the Committee shall hold separate, private meetings without other members of management present, with each of the Bank's Chief Financial Officer, counsel, Controller, Director of Internal Audit, Director of Corporate Compliance, and the Bank's independent auditor; and, each such person shall have free and direct access to the Committee and any of its members.

38. Prior to the beginning of each fiscal year, the Chair shall draft a proposed schedule of the Committee's activities for the coming year, and the times at which such activities shall occur, including preliminary agendas for each proposed meeting of the Committee, which shall be submitted to the Committee for its review and approval, with such changes as the Committee shall determine to be appropriate.

## **VII. COMPLAINTS**

39. All complaints received by the Committee relating to accounting, internal accounting controls or auditing matters shall be retained and reviewed by the Committee. Upon receipt of a complaint, the Chair of the Committee shall assign the complaint to any one or more members of the Committee (including the Chair) for preliminary review, and may authorize the use or engagement of such counsel, accountants, investigators or other assistance as the Chair, in the exercise of his or her discretion, shall determine to be appropriate under the circumstances.

40. Management shall retain the original of all such complaints until further notice by the Committee.

41. At least annually, management shall ensure that each employee of the Bank is advised in writing (including by any form of electronic transmission which provides the employee the ability to reproduce a written copy of such transmission) that he or she may submit, on a confidential and anonymous basis, complaints regarding accounting, internal accounting controls, or auditing matters and concerns regarding questionable accounting or auditing matters. The advice shall include the name and business address of the Chair of the Committee and shall inform employees that they should direct their complaints to the Chair, in writing, at such address.

## **VIII. ANNUAL PERFORMANCE EVALUATION OF THE COMMITTEE**

42. The Committee shall conduct an annual self-evaluation of its performance focusing on the quality of the Committee's review of:

- (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Bank's selection or application of accounting principles, and major issues as to the adequacy of the Bank's internal controls and any special audit steps adopted in light of material control deficiencies;
- (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
- (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank; and
- (iv) earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.

## **IX. GENERAL**

43. Annually review this Audit Committee Charter, and any provisions of the Bank's by-laws which refer to the Audit Committee, and propose to the Board of Directors necessary or appropriate revisions.

## **APPENDIX C**

### **PAN PACIFIC BANK Compensation Committee Charter**

#### **Purpose**

The Board of Directors of Pan Pacific Bank (PPB) has delegated to the Compensation Committee strategic and administrative responsibility on a broad range of overall PPB compensation, benefits and stock option issues.

The Compensation Committee is responsible for the review and reporting to the Board of Directors on all executive compensation matters that impact PPB and its subsidiaries.

It is the Committee's responsibility to ensure that the President and CEO, other officers and key management of the Company are compensated in a manner that will attract, motivate and retain the best possible management team for PPB shareholders.

It is the Committee's responsibility to ensure that compensation paid is consistent with the strategic goals of PPB; is based on performance against predetermined goals; is internally equitable and competitive, and is consistent with all regulatory requirements.

The Committee is also responsible for the communication to shareholders regarding PPB's compensation philosophy and the reasoning behind its compensation policies by producing an annual report on executive compensation for inclusion in PPB's proxy statement in accordance with the rules and regulations of the Securities and Exchange Commission.

#### **Committee Membership**

The Committee will be comprised of a minimum of three outside directors. Members shall be appointed annually by the Board and shall serve at the pleasure of the Board and for such term or terms as the Board may determine. Members will not be officers or employees of the company (or an individual who has served in that capacity during the past three years).

#### **Meetings and Structure**

The Committee will meet on a regular basis. Special meetings of the Committee may be called if warranted, and actions may be taken by unanimous written consent when deemed necessary or desirable by the Committee or its chairperson.

The Committee may invite, consistent with maintaining confidentiality of its discussions, any other person the Committee or its chair deems necessary or desirable to assist the Committee in its deliberations.

#### **Committee Responsibilities**

1. The Committee shall review the compensation strategy for the Bank on an annual basis. The Committee shall have a strategy in place for base salary, bonus (short term incentive), equity

(long term incentive) and benefits. The primary goal of the compensation strategy is to ensure that the Company has the compensation programs in place to attract, retain and motivate the best possible workforce.

2. At the executive level the strategy should ensure that the President and CEO and the members of executive management are rewarded appropriately for their contributions to PPB growth and profitability. The executive compensation strategy must support the Bank's business strategy and be aligned in a manner that is in the best interest of shareholders.
3. The Committee will annually review and approve the individual elements of total compensation for the President and CEO (including corporate goals and objectives relevant to compensation, evaluate the performance in light of those goals and objectives, and set the compensation level based upon this evaluation).
4. The Committee will review and approve the recommendations on base salary, bonus, equity and benefits made by the President and CEO on all Executive Vice Presidents of the Bank as defined in Section 16 of the Securities Exchange Act of 1934 as amended and Rule 16 a-1 promulgated there under (each a "Section 16 Officer").
5. The Committee will review and approve any severance or similar termination payments proposed to be made to any current or former Section 16 Officer.
6. The Committee will prepare and communicate in the annual Board Compensation Committee Report to shareholders the factors and criteria on which the compensation for the prior year for the President and CEO was based, including the relationship of the Bank's performance to executive compensation.
7. The Committee will ensure that the annual executive incentive compensation plan is administered in a manner consistent with PPB's compensation strategy. The Committee will approve the following plan elements:
  - Participation
  - Target annual incentive awards.
  - Corporate financial goals.
  - Actual awards paid to the President and CEO and Executive Vice Presidents
  - Total funds reserved for payment under the plan.
8. The Committee will approve for submission to shareholders all new equity-related incentive plans, and administer and provides oversight for the Bank's long term incentive programs (equity based) in a manner consistent with the terms of the plans as to the following:
  - Participation
  - Vesting Requirements
  - Awards to the President and CEO and Executive Vice Presidents
  - Total shares reserved for awards
9. The Committee will review with the President and CEO matters relating to management succession, bench strength and organizational development.

10. The Committee will review and approve the Bank's annual salary increase budget and any policy issues related to the administration of PPB's salary or benefit programs.
11. The Committee will prepare required reports for the Board of Directors.
12. In consultation with management, the Committee will oversee regulatory compliance with respect to compensation matters, including overseeing PPB's policies on structuring compensation programs to preserve tax deductibility.
13. The Committee will consider and recommend to the Board for approval corporate title appointments of Senior Vice Presidents and above.
14. The Committee will review and make recommendations to the Board to ensure the adequacy and appropriateness of Director compensation and benefits.
15. The Committee may retain its own outside experts for advice on any matter under review, as the Committee may deem necessary or appropriate and without seeking approval of the Board or Management.
16. The Committee shall perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's compensation programs.
17. The Committee will review and approve all new benefit plans and programs as recommended by management.

## APPENDIX D

### PAN PACIFIC BANK NOMINATING CHARTER

#### I. Purpose

The purpose of the Nominating Charter is to establish a written charter concerning the process of identifying, evaluating and nominating candidates, including candidates proposed by shareholders, for election to the Board of Directors.

#### II. Board Functioning as Nominating Committee

The Board of Directors performs the functions of a nominating committee with responsibility for considering appropriate candidates as directors. The Board of Directors believes that the participation of the full Board of Directors in considering candidates is an efficient process in view of the size of the Board of Directors.

Candidates proposed as nominees for election to the Bank's Board of Directors shall be evaluated and selected by the "independent" members of the Board of Directors. Director independence shall be determined in accordance with the definitions under the NASDAQ Listing Rules.

#### III. Nomination Process and Criteria

1. Candidates shall be evaluated based on the criteria established by the Board of Directors. Minimum criteria for non-employee candidates includes "independence" and "financial literacy," as defined under applicable rules promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002, and NASDAQ Listing Rules. Additional criteria may include (a) satisfactory results of any background investigation, (b) experience and expertise, (c) financial resources, (d) ability to devote the time and effort necessary to fulfill the responsibilities of a director, (e) involvement in community activities in the market areas served by the Bank and its affiliates that may enhance the reputation of the Bank and its affiliates, and (f) such other criteria as the Board of Directors may determine to be relevant. The Bank operates in a highly regulated industry and is subject to the supervision, regulation and periodic examination by state and federal banking regulatory authorities including the California Department of Financial Institutions and Federal Deposit Insurance Corporation. Directors of the Bank are subject to certain rules and regulations and potential liabilities not otherwise applicable to directors of non-banking organizations. Consequently, the Board of Directors may choose to include more extensive inquiries into personal background information including confirmation of the accuracy and completeness of background information by (a) requiring candidates to complete questionnaires to elicit information of the type required to be disclosed by the Bank in reports filed with state and federal banking regulatory authorities, or other governmental authorities having jurisdiction over the Bank, (b) conducting background investigations by qualified independent organizations experienced in conducting criminal and civil investigatory reviews, and (c) such other personal and financial reviews and analyses as the Board of Directors may deem appropriate in connection with the consideration of candidates.

2. Any recommendations by shareholders will be evaluated by the Board of Directors in the same manner as any other recommendation and in each case in accordance with the Nominating Charter. Shareholders that desire to recommend candidates for consideration by the Bank's Board of Directors should mail or deliver written recommendations to the Bank addressed as follows: Board of Directors, Pan Pacific Bank, 47065 Warm Springs Boulevard, Fremont, California 94539. Each recommendation should include biographical information indicating the background and experience of the candidate that qualifies the candidate for consideration as a director for evaluation by the Board of Directors. Shareholders who wish to nominate a candidate for election to the Bank's Board of Directors, as opposed to recommending a potential nominee for consideration by the Board of Directors, are required to comply with the advance notice and any other requirements of the Bank's bylaws or applicable laws and regulations.
3. Any candidate nominated for election to the Board of Directors must receive a majority of votes in favor of nomination from independent members of the Board of Directors. Directors who are not independent shall not vote, but may be present during the voting.
4. Each candidate shall be required to meet with the Board of Directors.
5. Each existing member of the Board of Directors whose term is ending must be evaluated for nomination to be re-elected. This review will include review of attendance, participation, continuing education, investment in shares, business development and community involvement. In lieu of the information required to be provided by new candidates for election to the Board of Directors described above in paragraph 3, the Board of Directors may rely upon the information contained in the most recent annual Directors and Officers Questionnaire completed by the existing member of the Board of Directors, subject to such updated information as the Board of Directors may deem appropriate. Such existing members of the Board of Directors must receive a majority of votes in favor of nomination from the other independent directors.
6. The Board of Directors may also elect to use organizations in the future to identify or evaluate candidates for consideration by the Board of Directors.

#### **IV. Annual Nominations**

The Board of Directors shall evaluate and select nominees for election (a) annually prior to distribution of the Bank's proxy solicitation materials and (b) at such other times as may be appropriate to fill vacancies in accordance with the Bank's bylaws.

#### **V. Conflicts**

Any conflicts between the provisions of this Charter and the provisions of the Bank's bylaws shall be resolved in favor of the bylaw provisions and nothing contained herein shall be construed as an amendment of the Bank's bylaws.