

Act, 12 U.S.C. §§ 1811-1831aa, the Rules and Regulations of the FDIC, 12 C.F.R. Chapter III (“Rules”), and the laws of the State of Hawaii. The FDIC has jurisdiction over the Bank and the subject matter of this proceeding.

2. The Bank was examined by examiners from the FDIC and the HDFI commencing on April 6, 2010, and utilizing financial information as of December 31, 2009 (“Joint Examination”). The Joint Examination found that:

- (a) The Bank’s total deposits equaled \$126,640,000;
- (b) The Bank’s total loans and leases equaled \$107,046,000;
- (c) The Bank’s “total assets”, as defined in section 325.2(x) of the Rules, equaled \$136,049,000;
- (d) The Bank’s “Tier 1 or Core Capital”, as defined in section 325.2(v) of the Rules (“Tier 1 Capital”), equaled \$8,726,000; and
- (e) The Bank’s “allowance for loan and lease losses”, as defined in section 325.2(a) of the Rules (“ALLL”), equaled \$1,983,000.

3. The Bank engaged in unsafe or unsound practices in that the Bank operated with an excessive level of classified assets as of the Joint Examination. As calculated by examiners in the Joint Examination, the Bank’s adversely classified assets totaled \$10,470,000 and represented 97.22% of Tier 1 Capital and the ALLL. Such adversely classified assets comprised \$10,347,000 in “substandard” classifications and \$123,000 in “loss” classifications.

4. The Bank engaged in unsafe or unsound practices in that the Bank has operated with excessive concentrations of credit in commercial real estate (“CRE”) and construction and land development lending (“ADC”) as of the Joint Examination. As calculated in the Joint Examination, the Bank’s concentrations in CRE loans represented approximately 435.42 percent of Tier 1 capital, and its ADC loans represented approximately 162.51 percent of Tier 1 Capital.

5. The Bank engaged in unsafe or unsound practices in that the Bank operated with excessive concentrations of credit to a director of the Bank and his related interests as of the Joint Examination. As calculated in the Joint Examination, the Bank's concentrations of credit to the Bank director and his related interests represented approximately 69.93% of Tier 1 Capital. The concentrations of credit to the Bank director and his related interests were all classified as "substandard" during the Joint Examination.

6. The Bank operated in violation of 12 U.S.C. § 375b(4) and 12 C.F.R. § 215.4(c) as of the Joint Examination in that it had extended credit to a director of the Bank on multiple occasions that, when aggregated with all other extensions of credit to the director and his related interests, exceeded the Bank's legal lending limit for an insider. The extensions of credit to the Bank director and his related interests were all classified as "substandard" during the Joint Examination.

7. The Bank engaged in unsafe or unsound conditions in that the Bank operated with earnings that were insufficient to support operations and maintain appropriate capital levels as of the Joint Examination.

8. As of the Joint Examination, the Bank engaged in unsafe or unsound practices in that the Bank operated with inadequate capital in relation to its volume of classified assets, level of loan concentrations, and weak earnings, as evidenced by the following:

(a) As calculated in the Joint Examination, the Bank's Tier 1 capital leverage ratio was only 6.28%; and

(b) As calculated in the Joint Examination, the Bank's total risk-based capital ratio was only 9.61 percent.

9. The Bank engaged in unsafe or unsound practices in that the Bank operated with an inappropriate Allowance for Loan and Lease Losses ("ALLL") as of the Joint Examination.

The ALLL was inappropriate because, among other reasons, the Bank's internal loan grading system was not accurate.

10. The Bank engaged in unsafe or unsound practices as of the Joint Examination in that it operated with management whose policies and practices were detrimental to the Bank and jeopardized the safety of the Bank's deposits, as evidenced by the unsafe or unsound practices and violations of law and regulations described above.

11. The Bank's Board of Directors engaged in unsafe or unsound banking practices as of the Joint Examination in that the Board of Directors has failed to provide adequate supervision over and direction to management of the Bank, as evidenced by the unsafe or unsound banking practices and violations of law and regulations described above.

12. Notice is hereby given that a hearing will be held at Honolulu, Hawaii, commencing 60 days from the date of service of this AMENDED NOTICE on the Bank, or on such other date as may be set by the Administrative Law Judge appointed to hear this matter, for the purpose of taking evidence on the above-mentioned charges in order to determine: Whether an order should be issued under the Act requiring the Bank: (1) to cease and desist from the unsafe or unsound banking practices and violations of law and/or regulations herein specified; and (2) to take affirmative action to correct the conditions resulting from such practices and violations.

13. The hearing referred to in paragraph 12 above will be held before an Administrative Law Judge to be assigned by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105. The hearing will be public, and in all respects will be conducted in compliance with the provisions of the Act and the FDIC Rules of Practice and Procedure.

14. The Bank is hereby directed to file an Answer to this AMENDED NOTICE within 20 days from the date of service of this AMENDED NOTICE on the Bank, as provided by section 308.19 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.19. All papers

filed or served in this proceeding shall be filed with the Office of Financial Institutions Adjudication , 3501 N. Fairfax Drive, Suite VS-D8113, Arlington, VA 22226-3500, pursuant to section 308.10 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.10.

15. Copies of all papers filed in this proceeding shall be served upon the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429-9990; A. T. Dill, III, Assistant General Counsel, Legal Division, Enforcement Unit; Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D. C. 20429-9990; and upon Joseph J. Sano, Regional Counsel, San Francisco Regional Office, Federal Deposit Insurance Corporation, 25 Jessie Street at Ecker Square, Suite 1400, San Francisco, California 94105.

Pursuant to delegated authority.

Dated at San Francisco, California, this 3rd day of February, 2011.

/s/
J. George Doerr
Deputy Regional Director
Risk Management
Division of Supervision and Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation