

# McGladrey & Pullen

Certified Public Accountants

## Plaza Bank

### Financial Report December 31, 2009

Plaza

Bank

**Financial**

**Report**

December 31

2009

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
**Plaza Bank**  
Seattle, Washington

We have audited the accompanying balance sheets of **Plaza Bank** as of December 31, 2009 and 2008, and the related statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Plaza Bank** as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, subsequent to year end the Bank has entered into a Stipulation to the Issuance of a Consent Order with the Federal Deposit Insurance Corporation and Washington Department of Financial Institutions.

*McGladrey & Pullen, LLP*

Seattle, Washington  
April 22, 2010

**Financial  
Statements**

## Balance Sheets

(Dollars in Thousands)

Plaza Bank

December 31, 2009 and 2008

	2009	2008
<b>Assets</b>		
Cash and due from banks	\$ 5,280	\$ 1,748
Interest-bearing deposits in other financial institutions	16,417	1,092
Federal funds sold	--	755
<b>Cash and cash equivalents</b>	<b>21,697</b>	<b>3,595</b>
Certificates of deposit	980	--
Securities available for sale	11,651	8,676
Pacific Coast Bankers' Bancshares stock, at cost	170	170
FHLB of Seattle stock, at cost	447	427
Loans	91,070	74,585
Allowance for credit losses	(3,665)	(1,448)
<b>Net loans</b>	<b>87,405</b>	<b>73,137</b>
Premises and equipment, net	855	1,076
Accrued interest receivable	390	273
Foreclosed real estate, net	851	1,708
Other assets	322	267
<b>Total assets</b>	<b>\$124,768</b>	<b>\$89,329</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Demand, non-interest-bearing	\$ 6,582	\$ 4,871
Interest-bearing demand	3,023	528
Savings and money markets	22,584	7,919
Time	79,990	55,728
<b>Total deposits</b>	<b>112,179</b>	<b>69,046</b>
Securities sold under agreements to repurchase	--	1,000
FHLB borrowings	2,559	3,932
Accrued interest payable	135	278
Other liabilities	465	368
<b>Total liabilities</b>	<b>115,338</b>	<b>74,624</b>
<b>Commitments and Contingencies</b>	<b>--</b>	<b>--</b>
<b>Shareholders' Equity</b>		
Common stock (par value: \$1); authorized 10,000,000 shares; issued and outstanding: 2,200,000 shares	2,200	2,200
Additional paid-in capital	19,590	19,527
Accumulated deficit	(12,519)	(7,210)
Accumulated other comprehensive income	159	188
<b>Total shareholders' equity</b>	<b>9,430</b>	<b>14,705</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 124,768</b>	<b>\$89,329</b>

See notes to financial statements.

## Statements of Income

(Dollars in Thousands)

Plaza Bank

Years Ended December 31, 2009 and 2008

	2009	2008
<b>Interest Income</b>		
Loans	\$5,673	\$4,486
Federal funds sold and deposits in other financial institutions	21	19
Securities available for sale	359	495
Other interest income	4	7
<b>Total interest income</b>	<b>6,057</b>	<b>5,007</b>
<b>Interest Expense</b>		
Deposits	2155	2,416
Securities sold under agreements to repurchase and federal funds purchased	24	69
FHLB borrowings	138	104
<b>Total interest expense</b>	<b>2,317</b>	<b>2,589</b>
<b>Net interest income</b>	<b>3,740</b>	<b>2,418</b>
<b>Provision for Credit Losses</b>	4,100	1,273
<b>Net interest income (loss) after provision for credit losses</b>	<b>(360)</b>	<b>1,145</b>
<b>Non-Interest Income</b>		
Service charges on deposit accounts	131	95
Other	77	53
<b>Total non-interest income</b>	<b>208</b>	<b>148</b>
<b>Non-Interest Expense</b>		
Salaries and employee benefits	2,299	2,420
Occupancy	554	562
Furniture and equipment	123	145
Data processing	461	430
Marketing and development	104	243
Provision for foreclosed real estate valuation	857	--
Other	759	462
<b>Total non-interest expense</b>	<b>5,157</b>	<b>4,262</b>
<b>Net loss</b>	<b>(\$5,309)</b>	<b>(\$2,969)</b>

See notes to financial statements.

## Statements of Shareholders' Equity

(Dollars in Thousands)

Plaza Bank  
Years Ended December 31, 2009 and 2008

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2007	2,200,000	\$2,200	\$19,454	(\$ 4,241)	\$ 34	\$17,447
Comprehensive loss:						
Net loss	--	--	--	(2,969)	--	(2,969)
Other comprehensive income:						
Change in fair value of securities available for sale	--	--	--	--	154	154
<b>Comprehensive loss</b>						<b>(2,815)</b>
Stock-based compensation expense	--	--	73	--	--	73
<b>Balance at December 31, 2008</b>	<b>2,200,000</b>	<b>2,200</b>	<b>19,527</b>	<b>(7,210)</b>	<b>188</b>	<b>14,705</b>
Comprehensive loss:						
Net loss	--	--	--	(5,309)	--	(5,309)
Other comprehensive income:						
Change in fair value of securities available for sale	--	--	--	--	(29)	(29)
<b>Comprehensive loss</b>						<b>(5,338)</b>
Stock-based compensation expense	--	--	63	--	--	63
<b>Balance at December 31, 2009</b>	<b>2,200,000</b>	<b>\$2,200</b>	<b>\$19,590</b>	<b>(\$12,519)</b>	<b>\$159</b>	<b>\$ 9,430</b>

See notes to financial statements.

## Statements of Cash Flows

(Dollars in Thousands)

Plaza Bank

Years Ended December 31, 2009 and 2008

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Net loss	(\$ 5,309)	(\$ 2,969)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for credit losses	4,100	1,273
Provision for foreclosed real estate valuation	857	--
Depreciation and amortization	241	267
Stock-based compensation expense	63	73
Investment (accretion) amortization, net	(10)	(10)
Deferral of loan origination costs and fees, less amortization	59	105
(Increase) decrease in accrued interest receivable	(117)	52
Decrease in accrued interest payable	(143)	(3)
Other	23	(54)
<b>Net cash used in operating activities</b>	<b>(236)</b>	<b>(1,266)</b>
<b>Cash Flows from Investing Activities</b>		
Activity in securities available for sale:		
Purchases	(9,997)	(2,250)
Maturities, prepayments and calls	7,003	4,804
Activity in certificates of deposit:		
Purchases	(3,470)	--
Maturities	2,490	--
Purchase of Federal Home Loan Bank stock	(20)	(427)
Increase in loans made to customers, net of principal collections	(18,427)	(18,254)
Purchases of premises and equipment	(1)	(7)
<b>Net cash used in investing activities</b>	<b>(22,422)</b>	<b>(16,134)</b>
<b>Cash Flows from Financing Activities</b>		
Net increase in time deposits	24,262	12,608
Net increase in other deposit accounts	18,871	1,590
Decrease in securities sold under agreements to repurchase	(1,000)	--
Proceeds from FHLB borrowings	--	9,500
Payments on FHLB borrowings	(1,373)	(5,568)
<b>Net cash provided by financing activities</b>	<b>40,760</b>	<b>18,130</b>
<b>Net increase in cash and cash equivalents</b>	<b>18,102</b>	<b>730</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	3,595	2,865
<b>End of year</b>	<b>\$21,697</b>	<b>\$ 3,595</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	\$2,460	\$2,589
<b>Supplemental Disclosures of Non-Cash Investing Activities</b>		
Foreclosed real estate acquired in settlement of loans	\$ --	\$1,708
Fair value adjustment of securities available for sale	(29)	154

See notes to financial statements.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Plaza Bank (the Bank) operates two branches: the main branch in downtown Seattle and a full service branch in Kent. The Bank provides loan and deposit services to customers, who are predominately small- and mid-sized businesses and middle-income individuals in western Washington.

#### Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and practices within the banking industry. Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the balance sheets, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, valuation of foreclosed real estate and the valuation of deferred tax assets.

All dollar amounts are stated in thousands, except per share amounts.

#### Securities Available for Sale

Securities available for sale consist of debt securities that the Bank intends to hold for an indefinite period but not necessarily to maturity. Such securities may be sold to implement the Bank's asset/liability management strategies and in response to changes in interest rates and similar factors. Securities available for sale are reported at fair value. Unrealized gains and losses are reported as a net amount in a separate component of shareholders' equity entitled accumulated other comprehensive income. Realized gains and losses on securities available for sale, determined using the specific-identification method, are included in earnings. Amortization of premiums and accretion of discounts are recognized in interest income over the period to maturity.

Declines in fair values of available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near term prospects of the issuer, and (iii) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

#### Loans and Allowance for Credit Losses

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances and adjusted for any charge-offs, the allowance for credit losses, any deferred fees or costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### **Note 1 - Nature of Operations and Summary of Significant Accounting Policies** *(continued)*

#### **Loans and Allowance for Credit Losses** *(concluded)*

Because some loans may not be repaid in full, an allowance for credit losses is recorded. An allowance for credit losses is a valuation allowance for probable incurred credit losses. The allowance for credit losses is increased by a provision for credit losses charged to expense and decreased by charge-offs (net of recoveries). The allowance is based on ongoing, quarterly assessments of the probable and estimable losses inherent in the loan portfolio. The Bank's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance and specific allowances.

The formula portion of the general credit loss allowance is established by applying a loss percentage factor to the different loan types. The allowances are provided based on management's continuing evaluation of the pertinent factors underlying the quality of the loan portfolio, including changes in the size and composition of the loan portfolio, actual loan loss experience, current economic conditions, geographic concentrations, seasoning of the loan portfolio, specific industry conditions, and the duration of the current business cycle. The recovery of the carrying value of loans is susceptible to future market conditions beyond the Bank's control, which may result in losses or recoveries differing from those provided.

Specific allowances are established in cases where management has identified significant conditions or circumstances related to a loan that management believes indicate the probability that a loss has been incurred. Loans are considered impaired when, based on current information and events, it is probable the Bank will be unable to collect all amounts due in accordance with the original contractual term of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller balance loans of similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

The ultimate recovery of all loans is susceptible to future market factors beyond the Bank's control. These factors may result in losses or recoveries differing significantly from those provided in the financial statements. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for credit losses and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

Interest income on loans is accrued daily based on the principal outstanding. The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due as well as required by regulatory provision. Past due status is based on contractual terms of loans. When interest accrual is discontinued, all unpaid accrued interest is reversed. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### **Note 1 - Nature of Operations and Summary of Significant Accounting Policies** *(continued)*

#### **Pacific Coast Bankers' Bancshares Stock**

The investment in Pacific Coast Bankers' Bancshares (PCBB) stock consists of an equity security. This investment is carried at cost. No ready market exists for PCBB stock, and it has no quoted market value.

#### **FHLB of Seattle Stock**

The Bank, as a member of the Federal Home Loan Bank (the FHLB) system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1 percent of its outstanding home loans or 5 percent of advances from the FHLB. No ready market exists for the FHLB stock and it has no quoted market value.

The Bank views its investment in the FHLB stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value rather than recognizing temporary declines in value. The determination of whether a decline affects the ultimate recovery is influenced by criteria such as: 1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and length of time a decline has persisted; 2) impact of legislative and regulatory changes on the FHLB; and 3) the liquidity position of the FHLB. The FHLB of Seattle recently reported a risk-based capital deficiency as of December 31, 2009, and therefore will not be able to pay a dividend for the fourth quarter of 2009, and will not be able to repurchase capital stock. The FHLB noted their primary concern with meeting the risk-based capital requirements relates to the potential impact of other-than-temporary impairment charges that they may be required to record on their private label mortgage back securities. While the FHLB of Seattle will be less than adequately capitalized as of December 31, 2009, the Bank does not believe that its investment in the FHLB is impaired as of this date; however, this estimate could change in the near term if: 1) significant other-than-temporary losses are incurred on the mortgage backed securities causing a significant decline in their regulatory capital status; 2) the economic losses resulting from credit deterioration on the mortgage backed securities increases significantly; and 3) capital preservation strategies being utilized by the FHLB become ineffective.

#### **Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation, which is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is less. Asset lives range from three to 10 years. Gains or losses on dispositions are reflected in earnings.

The assets are reviewed for impairment when events indicate their carrying value may not be recoverable. If management determines impairment exists, the asset is reduced with an offsetting charge to expense.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### **Note 1 - Nature of Operations and Summary of Significant Accounting Policies** *(continued)*

#### **Deferred Rent and Lease Incentives**

Rental payments under operating leases for branch locations are charged to expense on the straight-line basis after consideration of rent holidays, step rent provisions and escalation clauses. Differences between rental expense and actual rent payments are recorded as deferred rent and included in other liabilities on the accompanying balance sheets.

#### **Securities Sold Under Agreements to Repurchase**

Securities sold under agreements to repurchase are treated as collateralized financing transactions and recorded at the amounts at which the securities were sold plus accrued interest. The market value of the underlying securities, which collateralize the related receivable on agreements to resell, is monitored, including accrued interest.

#### **Income Taxes**

Deferred tax assets and liabilities result from differences between the financial statement carrying amounts and the tax bases of assets and liabilities, and are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. The deferred tax provision represents the difference between the net deferred tax asset/liability at the beginning and end of the year. Deferred tax assets are redeemed by a valuation allowance, when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

For the year ended December 31, 2009, the Bank adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Bank may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management has evaluated the Company's tax positions and concluded that the Bank has not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

When applicable, the Bank will recognize interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying income statement. Accrued interest and penalties will be included within the related tax liability line on the balance sheet, when applicable. There was no accrued interest or penalties for the year ended December 31, 2009. All tax returns since the inception of the Bank are open to audit by the federal tax authorities.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### **Note 1 - Nature of Operations and Summary of Significant Accounting Policies** *(continued)*

#### **Cash Equivalents and Cash Flows**

Cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold and interest-bearing deposits in other financial institutions which have maturities of less than three months. Cash flows from loans, deposits and securities sold under agreements to repurchase are reported net. The Bank maintains its cash in depository institutions, which, at times, may exceed federally insured limits. The Bank has not experienced any losses in such accounts.

#### **Advertising**

The Bank expenses advertising costs as incurred.

#### **Foreclosed Real Estate**

Real estate properties acquired through, or in lieu of, foreclosure are to be sold and are initially recorded at the fair value of the properties, less estimated costs of disposal, establishing a new cost basis. Any write-down to fair value at the time of transfer to foreclosed real estate is charged to the allowance for credit losses. Properties are evaluated regularly to ensure that the recorded amounts are supported by their current fair values. Any subsequent reductions in carrying values, and revenue and expense from the operations of properties are charged to operations.

#### **Stock-Based Compensation**

Compensation cost for all stock-based awards is measured based on the grant-date fair value and recognized over the service period of stock-based awards, generally defined as the vesting period. The fair value of stock options is determined using the Black-Scholes valuation model.

#### **Transfers to Financial Assets**

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: 1) the assets have been isolated from the Bank, 2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and 3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

#### **Fair Value Measurements**

ASC 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy for disclosure of fair value measurements and enhances disclosure requirements for fair value measurements. The three levels are defined as follows:

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 1 - Nature of Operations and Summary of Significant Accounting Policies *(continued)*

#### Fair Value Measurements *(continued)*

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The balance of securities available for sale of which the fair value is disclosed on a recurring basis, is as follows:

	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
December 31, 2009				
Securities available for sale	\$11,651	\$- -	\$11,651	\$- -
December 31, 2008				
Securities available for sale	\$8,676	\$- -	\$8,676	\$- -

Securities available for sale consist of AAA-rated U.S. Government agency securities and other debt securities. The Bank discloses securities available for sale at fair value on a recurring basis. The fair value of the Bank's securities available for sale are derived from quoted prices in active markets and Level 2 inputs, which are derived from quoted prices for identical or similar assets in markets that are active or not active, that is, markets in which there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following presents such assets carried on the balance sheets by caption and by level within the ASC 820 hierarchy:

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 1 - Nature of Operations and Summary of Significant Accounting Policies *(continued)*

#### Fair Value Measurements *(concluded)*

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2009</b>				
Impaired loans	\$2,531	\$ -	\$ -	\$2,531
Impaired foreclosed real estate	925	- -	- -	925
<b>December 31, 2008</b>				
Impaired loans	\$2,398	\$ -	\$ -	\$2,398

Certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. During 2009 and 2008, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for credit losses based upon the fair value of the underlying collateral. Impaired loans with a carrying value of \$3,339 and \$2,410, respectively, were reduced by specific valuation allowance allocations totaling \$1,056 and \$198, respectively, which includes estimated costs to sell. The fair value of the collateral for these impaired loans utilizing Level 3 valuation inputs was \$2,536 and \$2,398, respectively, which does not include costs to sell.

Foreclosed real estate is reported at the fair value. During 2009, foreclosed real estate was remeasured and reported at fair value through a specific valuation allowance based upon the fair value of the collateral. Foreclosed real estate with a carrying value of \$1,708 was reduced by specific valuation allowance totaling \$857, which includes estimated costs to sell. The fair value of the foreclosed real estate utilizing Level 3 valuation inputs was \$925, which does not include costs to sell.

#### Fair Value of Financial Instruments

The following methods and assumptions were used by the Bank in estimating the fair value of financial instruments as disclosed in these financial statements:

##### **Cash and Cash Equivalents**

The recorded amount is a reasonable estimate of fair value.

##### **Certificates of Deposit**

The recorded amount is a reasonable estimate of fair value.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 1 - Nature of Operations and Summary of Significant Accounting Policies *(continued)*

#### Fair Value of Financial Instruments *(concluded)*

##### **Securities Available for Sale**

The fair value of securities is based on quoted market prices.

##### **Federal Home Loan Bank Stock**

The carrying value of this equity security approximates fair value.

##### **Pacific Coast Bankers' Bancshares Stock**

The carrying value of this equity security approximates fair value.

##### **Loans**

For variable rate loans that reprice frequently and have no significant change in credit risk, fair value is based on carrying value. The fair value of fixed rate loans is estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The fair value of impaired loans is estimated using discounted cash flow analyses or underlying collateral values, where applicable.

##### **Deposits**

The fair value of deposits with no stated maturity date is included at the amount payable on demand. The fair value of fixed rate certificates of deposit is estimated using a discounted cash flow calculation based on interest rates currently offered on similar certificates. The carrying amount of variable rate certificates of deposit approximates fair value at the reporting date.

##### **Securities Sold Under Agreements to Repurchase**

The carrying amount of securities sold under agreements to repurchase approximates fair value.

##### **Federal Home Loan Bank Borrowings**

The fair value of the Bank's borrowings is estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

##### **Accrued Interest**

The carrying amount of accrued interest approximates fair value.

##### **Off-Balance-Sheet Instruments**

The fair value of commitments to extend credit and standby letters of credit is estimated using fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the customers. Since the majority of the Bank's off-balance-sheet instruments consist of non-fee producing, variable-rate commitments, the Bank has determined that they do not have a distinguishable fair value.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 1 - Nature of Operations and Summary of Significant Accounting Policies *(concluded)*

#### Recent Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance that sets forth accounting and disclosure requirements for events that occur subsequent to the balance sheet date but before the Bank's financial statements are issued and is effective for periods ending after June 15, 2009. Events that occurred subsequent to December 31, 2009, have been evaluated by the Bank's management through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

In June 2009, the FASB issued an accounting standard which established the Codification to become the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities, with the exception of guidance issued by the U.S. Securities and Exchange Commission (the "SEC") and its staff. All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change GAAP, but rather is expected to simplify accounting research by reorganizing current GAAP into approximately 90 accounting topics. The Bank adopted this accounting standard in preparing the financial statements for the year ended December 31, 2009. The adoption of this accounting standard, which was subsequently codified into ASC Topic 105, "*Generally Accepted Accounting Principles*," had no impact on shareholders' equity and will have no impact on the Bank's statements of income and balance sheet.

In September 2006, the FASB issued an accounting standard related to fair value measurements, which was effective for the Bank on January 1, 2008. This standard defined fair value, established a framework for measuring fair value, and expanded disclosure requirements about fair value measurements. On January 1, 2008, the Bank adopted this accounting standard related to fair value measurements for the Company's financial assets and financial liabilities. The Bank deferred adoption of this accounting standard related to fair value measurements for the Bank's nonfinancial assets and nonfinancial liabilities, except for those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until January 1, 2009. The adoption of this accounting standard related to fair value measurements for the Bank's nonfinancial assets and nonfinancial liabilities had no impact on accumulated deficit and is not expected to have a material impact on the Bank's statements of income and balance sheet. This accounting standard was subsequently codified into ASC Topic 820, "*Fair Value Measurements and Disclosures*."

In June 2009, the FASB issued an accounting standard related to the *Accounting for Transfers of Financial Assets*, which is effective for reporting periods ending after September 15, 2009. This standard is expected to be codified as part of ASC 860, *Transfers and Servicing*. This standard, among other things, will modify the financial-components approach, remove the concept of a qualifying special-purpose entity, clarify the isolation and effective control conditions for sale accounting, amend initial measurement of a transferor's interest in transferred financial assets, and require additional disclosures.

#### Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 2 - Securities Available for Sale

Securities available for sale have been classified according to management's intent. The amortized cost of securities available for sale and their approximate fair value for the years ended December 31, 2009 and 2008, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>December 31, 2009</b>				
U.S. government and agency securities	\$ 6,997	\$ 9	\$45	\$ 6,961
Mortgage-backed securities	4,495	195	--	4,690
<b>Total</b>	<b>\$11,492</b>	<b>\$204</b>	<b>\$45</b>	<b>\$11,651</b>
<b>December 31, 2008</b>				
U.S. government and agency securities	\$2,000	\$ 41	\$--	\$2,041
Mortgage-backed securities	6,488	147	--	6,635
<b>Total</b>	<b>\$8,488</b>	<b>\$188</b>	<b>\$--</b>	<b>\$8,676</b>

At December 31, 2009 there were five individual securities in an unrealized loss position. For the years ended December 31, 2009 and 2008, there were no individual securities held in an unrealized loss position greater than 12 months.

Contractual maturities of debt securities available for sale at December 31, 2009, by contractual maturity, are as follows. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	\$ --	\$ --
Due from one year to five years	6,997	6,961
Mortgage-backed securities	4,495	4,690
<b>Total</b>	<b>\$11,492</b>	<b>\$11,651</b>

There were no realized gains or losses on sales of securities in 2009 or 2008.

The fair value of pledged securities totaled \$4,690 and \$8,676 for the years ended December 31, 2009 and 2008, respectively.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 3 - Loans

Loans at December 31 consist of the following:

	2009	2008
Commercial	\$28,673	\$31,485
Real estate:		
Commercial	50,513	31,028
Construction, land development and other land loans	5,159	6,218
Farmland	1,266	--
Residential 1-4 family	4,405	2,510
Residential multifamily	791	3,202
Consumer	637	457
	<b>91,444</b>	<b>74,900</b>
Less net deferred loan origination costs	374	315
<b>Total loans</b>	<b>\$91,070</b>	<b>\$74,585</b>

At December 31, 2009 and 2008, the Bank has loans outstanding in the hotel/motel industry, which represents approximately 18.2 percent and 13.8 percent of total loans outstanding, respectively.

Changes in the allowance for credit losses for the years ended December 31, 2009 and 2008, are as follows:

	2009	2008
Balance at beginning of year	\$1,448	\$ 646
Provision for credit losses	4,100	1,273
Recoveries	80	--
Loan balances charged off	(1,963)	(471)
<b>Balance at end of year</b>	<b>\$3,665</b>	<b>\$1,448</b>

At December 31, 2009 and 2008, there were no loans 90 days and over past due still accruing interest. The Bank's investment in non-accrual loans was \$4,911 at December 31, 2009. There were no non-accrual loans at December 31, 2008.

There were loans totaling \$3,339 and \$2,410 determined to be impaired with \$1,056 and \$198 specific reserves at December 31, 2009 and 2008, respectively. There were loans totaling \$1,378 and \$1,572 determined to be impaired with no specific reserves at December 31, 2009 and 2008, respectively. There were no outstanding commitments related to impaired loans at December 31, 2009 and 2008. There was no interest income recorded on nonaccrual loans in 2009 and 2008. The average investment in impaired loans during 2009 and 2008 was \$3,369 and \$1,554, respectively.

(continued)

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 3 - Loans (concluded)

The Bank, in the normal course of business, conducts transactions with its directors, shareholders and certain members of management. It is the Bank's policy that these transactions are made on substantially the same terms as those prevailing at the time with similar parties. At December 31, 2009 and 2008, such loans outstanding were \$372 and \$361, respectively. During 2009 and 2008, there were loan advances of \$75 and \$85, respectively. Principal repayments on these loans were \$64 and \$645 for 2009 and 2008, respectively.

Loans pledged as collateral for FHLB advances totaled \$16,433 and \$12,630 at December 31, 2009 and 2008, respectively.

### Note 4 - Foreclosed Real Estate

Changes in foreclosed real estate the years ended December 31, 2009 and 2008, are as follows:

	2009	2008
Balance as of January 1	\$1,708	\$ --
Real estate acquired in settlement of loans	--	1,708
Valuation allowance on foreclosed real estate	(857)	--
<b>Balance as of December 31</b>	<b>\$ 851</b>	<b>\$1,708</b>

### Note 5 - Premises and Equipment

Components of premises and equipment at December 31 are as follows:

	2009	2008
Leasehold improvements	\$1,075	\$1,075
Furniture and equipment	576	575
	<b>1,651</b>	<b>1,650</b>
Less accumulated depreciation and amortization	796	574
<b>Premises and equipment, net</b>	<b>\$ 855</b>	<b>\$1,076</b>

The Bank leases its premises under operating leases. Rental expense for leased premises was \$362 and \$370 for 2009 and 2008, respectively, which is included in occupancy expense.

(continued)

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 5 - Premises and Equipment *(concluded)*

Minimum net rental commitments under noncancellable leases having an original or remaining term of more than one year for future years ending December 31 are as follows:

2010	\$ 394
2011	401
2012	408
2013	425
2014	435
Thereafter	318
<b>Total minimum payments required</b>	<b>\$2,381</b>

### Note 6 - Deposits

The composition of deposits at December 31 is as follows:

	2009	2008
Demand deposits, non-interest-bearing	\$ 6,582	\$ 4,871
Interest-bearing demand	3,023	528
Savings and money market	22,584	7,919
Time certificates, \$100,000 or more	53,833	35,733
Other time certificates	26,157	19,995
<b>Total deposits</b>	<b>\$112,179</b>	<b>\$69,046</b>

Scheduled maturities of time certificates of deposit for future years ending December 31 are as follows:

2010	\$44,595
2011	22,717
2012	11,873
2013	350
2014	455
<b>Total</b>	<b>\$79,990</b>

At December 31, 2009 and 2008, the Bank had brokered deposits totaling \$12,991 and \$5,034, or 11.58 percent and 7.29 percent of total deposits outstanding, respectively. All brokered deposits at December 31, 2009, mature in 2010.

The Bank is a State of Washington Public Depository. The Bank is required to collateralize all public deposits in excess of F.D.I.C. insurance. At December 31, 2009, the Bank held \$3,317 of public deposits, which is approximately 3.00 percent of the Bank's total deposits. Of this amount, \$2,788 was fully collateralized with marketable securities.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 7 - Securities Sold Under Agreement to Repurchase

During 2007 the Bank entered into a repurchase agreement with a customer. The term of the repurchase agreement was for 23 months and matured on June 15, 2009. The balance of this agreement was \$1,000 at December 31, 2008, with a 5.07 percent interest rate. The securities which are subject to the repurchase agreement are held by another institution, as custodian; however, the Bank reserves the right to substitute different but similar securities for those originally subject to the repurchase agreement. The securities underlying the repurchase agreement are included in securities available for sale on the balance sheets. There were no securities sold under agreements to repurchase at December 31, 2009.

### Note 8 - FHLB Borrowings

FHLB borrowings at December 31, 2009, represent advances from the Federal Home Loan Bank of Seattle bearing a weighted-average interest rate of 4.41 percent and maturing various dates through August 2018. The FHLB line available is 15 percent of the Bank's assets limited to available collateral and the balance outstanding at December 31, 2009, was \$2,559. The line is secured by investments and loans as discussed in Notes 2 and 3.

Principal reductions due on these borrowings for future years ending December 31 are as follows:

2010	\$ 373
2011	373
2012	373
2013	303
2014	--
Thereafter	1,137
<b>Total</b>	<b>\$2,559</b>

### Note 9 - Employee Benefits

The Bank has a 401(k) profit sharing plan covering substantially all employees. Prior to March 31, 2009, contributions to the 401(k) profit sharing plan consisted of a 3 percent non-elective contribution. The profit sharing plan was modified on April 1, 2009, discontinuing the non-elective contribution. Contributions by the Bank to this plan in 2009 and 2008 totaled \$23 and \$90, respectively.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 10 - Income Taxes

The Bank has not provided for income taxes in 2009 and 2008 as a result of the net loss incurred.

Tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31 are:

	2009	2008
<b>Deferred Tax Assets</b>		
Cash basis accounting	\$ --	\$ 36
Stock option expense	15	11
Organizational costs	188	204
Foreclosed real estate valuation	290	--
Allowance for credit losses	901	300
Accumulated depreciation	87	51
Operating loss carryforward	2,820	1,798
<b>Total deferred tax assets</b>	<b>4,301</b>	<b>2,400</b>
<b>Deferred Tax Liabilities</b>		
Cash basis accounting	14	--
Deferred income	130	24
<b>Net deferred tax assets before valuation allowance</b>	<b>4,157</b>	<b>2,376</b>
<b>Valuation Allowance</b>	<b>(4,157)</b>	<b>(2,376)</b>
<b>Net deferred tax assets</b>	<b>\$ --</b>	<b>\$ --</b>

At December 31, 2009, the Bank has a net operating loss carryforward totaling \$8.3 million, which expire starting in 2026 through 2030 and may be applied against future taxable income.

### Note 11 - Commitments and Contingencies

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the accompanying balance sheets.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 11 - Commitments and Contingencies *(concluded)*

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the Bank's commitments at December 31 is as follows:

	2009	2008
Commitments to extend credit	\$14,457	\$19,052
Commercial letter of credit	797	15
<b>Total</b>	<b>\$15,254</b>	<b>\$19,067</b>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate, and income-producing commercial properties.

The Bank has agreements with commercial banks for lines of credit totaling \$4,500, none of which was used at December 31, 2009.

Because of the nature of its activities, the Bank is subject to various pending and threatened legal actions, which may arise in the ordinary course of business. In the opinion of management, liabilities arising from these claims, if any, will not have a material effect on the financial position of the Bank.

### Note 12 - Significant Concentration of Risk

Most of the Bank's business activity is with customers in the state of Washington. Loans are generally limited by federal and state banking regulations to 20 percent of the Bank's shareholders' equity, excluding accumulated other comprehensive income.

The Bank has relied on brokers and internet products to generate deposits. The regulators have required the Bank to adopt a liquidity plan to limit the Bank's reliance on non-core funding sources and a plan for substantially reducing its Non-Core Funding Dependency ratio. The Non-Core Funding Dependence Ratio at December 31, 2009 and 2008, was 51.27 percent and 51.31 percent, respectively. There is no guarantee that the Bank can replace non-core funding with core deposits.

### Note 13 - Stock Compensation Plans

#### Stock Warrants

In 2006 the Bank granted organizing shareholders 102,500 warrants to purchase the Bank's common stock at \$10.00 per share. Warrants have a 10-year contractual life and expire in 2016. No warrants have been exercised to date. The estimated remaining life is 6.4 years.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 13 - Stock Compensation Plans *(concluded)*

#### Stock Options

Under the Bank's stock option plan, the Bank may grant both incentive and non-qualified options for up to 440,000 shares of its common stock to certain key employees and directors. The exercise price of each option equals the fair market value of the Bank's stock on the date of grant, and an option's maximum term is 10 years. Options vest ratably over the life of the option which is five years. The Bank has 259,500 options remaining to grant at December 31, 2009.

A summary of the status of the Bank's stock options granted and stock warrants as of December 31, 2009, and changes during the year and period ending on those dates, is presented below:

	<b>Shares</b>	<b>Weighted-Average Exercise Price</b>
Options and warrants outstanding at December 31, 2007	298,000	\$10.00
Options forfeited	(10,000)	9.70
Options and warrants outstanding at December 31, 2008	288,000	10.03
Options forfeited	(5,000)	10.00
<b>Options and warrants outstanding at December 31, 2009</b>	<b>283,000</b>	<b>\$10.04</b>
<b>Vested or expected to vest at December 31, 2009</b>	<b>271,665</b>	<b>\$10.04</b>
<b>Exercisable at December 31, 2009</b>	<b>208,300</b>	<b>\$10.02</b>

The weighted-average remaining contractual life for stock options granted is 6.7 years. All options and warrants outstanding are considered to be out-of-the-money at December 31, 2009; therefore, the aggregate intrinsic value is \$0. There were no options or warrants exercised or granted in 2008 or 2009. Unrecorded compensation cost was \$114 at December 31, 2009, and is expected to be recognized over the next 2.5 years. There were no tax benefits recognized for the years ended December 31, 2009 and 2008.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 14 - Fair Value of Financial Instruments

The estimated fair values and recorded carrying amounts at December 31 are as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	\$21,697	\$21,697	\$ 3,595	\$3,595
Certificates of deposit	980	980	--	--
Securities available for sale	11,651	11,651	8,676	8,676
Other investments, at cost	170	170	170	170
Federal Home Loan Bank stock, at cost	447	447	427	427
Net loans	87,405	79,389	73,137	76,274
Accrued interest receivable	390	390	273	273
<b>Financial Liabilities</b>				
Deposits	\$112,179	112,142	\$69,046	\$ 69,323
Federal Home Loan Bank borrowings	2,559	2,700	3,932	4,033
Securities sold under agreements to repurchase	--	--	1,000	1,000
Accrued interest payable	135	135	278	278

The Bank assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair value of the Bank's financial instruments will change when interest rate levels change, and that change may be either favorable or unfavorable to the Bank. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities, and attempts to minimize interest rate risk by adjusting terms of new loans and deposits, and by investing in securities with terms that mitigate the Bank's overall interest rate risk.

### Note 15 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines of the regulatory framework for prompt corrective action, the Bank must meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items, as calculated under regulatory accounting practices. The Bank's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

(continued)

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### Note 15 - Regulatory Matters *(concluded)*

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Tier 1 capital (as defined in the regulations) to total average assets (as defined), and minimum ratios of Tier 1 and total capital (as defined) to risk-weighted assets (as defined).

As of March 15, 2010, the most recent notification from the Bank's regulator categorized the Bank as adequately-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as prescribed in the Stipulation to the Issuance of a Consent Order. See Note 16 for events occurring subsequent to year end which changed this classification.

The Bank's actual capital amounts and ratios are also presented in the table.

	Actual Amount	Ratio	Capital Adequacy Purposes Amount	Ratio	To be Well-Capitalized Under Prompt Corrective Action Provisions Amount	Ratio
<b>December 31, 2009</b>						
Tier 1 capital (to average assets)	\$ 9,271	7.60%	\$4,80	4.00%	\$6,099	10.00%
Tier 1 capital (to risk-weighted assets)	9,271	9.88	3,752	4.00	5,628	10.00
Total capital (to risk-weighted assets)	10,429	11.12	7,504	8.00	9,381	10.00
<b>December 31, 2008</b>						
Tier 1 capital (to average assets)	\$14,517	16.64%	\$3,490	4.00%	\$4,362	5.00%
Tier 1 capital (to risk-weighted assets)	14,517	18.06	3,216	4.00	4,824	6.00
Total capital (to risk-weighted assets)	15,522	19.31	6,432	8.00	8,040	10.00

As a condition of obtaining FDIC insurance, the Bank must maintain 8 percent Tier 1 capital to risk-weighted assets for the first three years of operation and the Bank is not permitted to pay dividends until approval to do so by its regulators.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2009 and 2008

### **Note 16 - Subsequent Event**

The Bank has evaluated subsequent events through April 22, 2010, the date on which the financial statements were issued.

Subsequent to year end, the bank acquired real estate with a fair value of \$2.94M in settlement of two loans.

On March 15, 2010, the Bank entered into a Stipulation to the Issuance of a Consent Order (the FDIC order) with the Federal Deposit Insurance Corporation (FDIC) and the Washington Department of Financial Institutions, Division of Banks (DFI).

Under the terms of the FDIC order, the Bank cannot declare dividends without the prior written approval of the FDIC and the DFI. Other material provisions of the order require the Bank to: (i) review the duties, responsibilities, qualifications and remuneration of the Bank's officers, (ii) the Bank's board shall increase its participation in the affairs of the Bank assuming full responsibility for the approval of sound policies and objectives and for the supervision of all the Bank's activities, (iii) increase to and maintain a level of Tier 1 Capital to Average Total Assets not lower than 10 percent, (iv) implement a comprehensive policy for determining the adequacy of the allowance for loan and lease losses, (v) develop a plan to reduce reliance on brokered deposits and (vi) prepare and submit progress reports to the FDIC and DFI. The FDIC order will remain in effect until modified or terminated by the FDIC and DFI. Given the requirement to increase the level of Tier 1 Capital, the Bank's regulator has now categorized the Bank as adequately-capitalized under the regulatory framework for prompt corrective action.

The order does not restrict the Bank from transacting its normal banking business. The Bank will serve its customers in all areas, including making loans, establishing credit lines, accepting deposits and processing banking transactions. All customer deposits remain fully insured to the highest limits set by the FDIC. The FDIC and DFI did not impose any monetary penalties.