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October 12, 2011

Dear Valued Regal Financial Bancorp Shareholder,

All of us as bank shareholders are experiencing a very volatile time in the industry. We are bombarded daily with news at the national level regarding new regulations, new capital requirements, followed by more agencies being formed to have a regulatory oversight. With all of these changes, it becomes more and more difficult to assure bank shareholders, and even bank customers, that banking is a safe and sound place to invest and do business.

However, this is also one of the best times to be a banker. With all the turmoil throughout the banking community, those of us with a defined strategy and focused marketing can find great banking clients to add to our base and grow. This is also a time to invest if you are thinking of building a portfolio with banking risk. There has never been a time in recent history when the price of bank stocks has been this low. That doesn't make any of us happy that invested at much higher levels, but, it enables us to structure investments to get a better return later.

That said, we have had to follow the market lead and reduce the price of our stock in this current private offering. We are seeking to raise \$12mm at \$0.50 per share. We already have \$4mm committed from the Board of Directors and Senior Management. Additionally, we have been making presentations to a wide range of new qualified investors with some excellent response. We hope this will be the last capital campaign for the bank for years to come. The best news is we have already passed the Tier 1 Leverage Capital ratio of 5%. This is a focus of regulators as a key indicator of capital adequacy and we have only just started the new capital effort.

The third quarter for the bank has seen considerable improvement. Our non-performing loans have dropped to the \$5mm level from a high of over \$25mm. Our OREO properties are also down to the \$5mm level, with major reductions coming since we have either sold or have sales agreements on over \$3mm of those properties.

We encourage you to go to our website and review our third quarter financials, which will be posted later this month. You will notice a considerable improvement over last quarter and a tremendous improvement over the past year. All indications point to a good solid financial change leading into 2012. Staffing continues to be low, costs are getting under control, and we continue to get new investors. With new deposits and loans, we will begin to enjoy the benefits of community business banking once again.

Thank you for your support and please continue to send us your referrals. Our turnaround still has a few chapters remaining; however, our success now rests in the strength of our customer and investor base.

Sincerely,

A blue ink signature of Randy C. James, written in a cursive style.

Randy C. James
Chairman and CEO
Regal Financial Bank

A blue ink signature of Basant Singh, written in a cursive style.

Basant Singh
President
Regal Financial Bank