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June 4, 2010

Dear Valued Regal Financial Bancorp Shareholder,

In my quest to keep you informed on the activities of the bank, I feel a letter in the middle of an FDIC and WDFI audit will be bold, yet informative. We are currently undergoing our annual regulatory examination which covers all the significant areas of the bank; this should last for about two weeks. We are confident we have done the right things in preparation for this exam and we know we have made progress in repairing the bank. However, we are sober enough to realize that there is still much work to be done. Please be assured that I will keep you advised after we get this important report card.

Two areas where we remain weak are capital and earnings. We are now three weeks into our new capital raise and are achieving some positive early responses. We have distributed over ninety Private Offering Memorandums to potential investors and are having continued discussions with many of these parties. This is in the face of 2010 being one of the most difficult capital raising environments in decades. I remain optimistic about our ability to raise the entire eight million dollars. We really have little alternative. I would also like to note that the bank has been successful in getting some significant payoffs on troubled loans and will likely be seeing some recoveries during the balance of this year. This will help earnings and provide us a good start on our 2011 plan, when the bank begins to show sustained earnings.

Our primary business focus now shifts to growing our core deposits and building lasting relationships with current and new customers. To this end, I would encourage all of you to be our ambassadors in finding new depositors. We are all investors and should be proud to also maintain one of our primary deposit relationships with Regal Financial Bank. It is in your interest to do so. And we also should feel comfortable to recommend our friends and family to the bank. While we don't pretend to be on every street corner with an office or an ATM, we are fully competitive in deposit relationships where location is not critical and on such specialized remote services such as bill pay. Our client facing personnel truly understand that service is our best differentiating quality. Besides, we are nice people and we want to know you better. Please drop by to say hello, we look forward to seeing you.

We will soon open our office in Bellevue and will be announcing a team of bankers to staff this office. Our intent is to strengthen the bank's involvement in the Eastside business market and broaden our reach into the very vibrant Asian community. We will be focusing very directly on gathering deposits and building lending relationships, especially SBA loans for qualified applicants. This is an exciting opportunity for the bank. The Bellevue office is directly in line

with our business focus and will provide us the opportunity to broaden the reach of the bank. It also is a very tangible recognition, that as we repair the bank, we also need to begin to build the bank for the future.

Finally, I would encourage you to find ways to sell the bank's story. We have made significant progress in fixing the bank's problems and we are really excited about the possibilities as the Pacific Northwest rebounds economically. This year has been a difficult transition year for the bank, but a tremendous learning experience for us all. This management team is motivated and ready to strengthen our market presence. Your participation in our future is very important.

Sincerely,

A handwritten signature in black ink, appearing to read "R. James", followed by a horizontal line extending to the right.

Randy C. James
Chairman/ CEO