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January 4, 2012

Dear Valued Regal Financial Bancorp Shareholder,

We have just finished likely the most challenging year ever for banks across the nation. With public sentiment turning negative on products and pricing, customers unable or unwilling to pay back their debts, politicians and regulators focusing harder than ever on the programs, policies and procedures of every bank...it makes bank investors concerned about their investment.

For Regal Financial Bank, we have concluded 2011 as a transition year. Cleaning up many problems loans from the past has challenged all of us. To minimize any credit problems going forward, we have had to make very difficult decisions which almost always impact the capital position of the bank. When appraisals come in lower than the loan amount...we have taken the write downs. When properties have sold for less than the carrying cost...we have taken the write downs. When clients have suffered from reduced cash flow and we have negotiated troubled debt restructures...we have taken the write downs. All of these actions reduce the amount of capital to run the bank.

However, at the same time we have been adding new capital. We are pleased to report that we ended the year with our capital in the technical "well capitalized" range for banks. And, we have many investors still working to make their commitments in new capital a reality. Our goal is to achieve a Tier 1 capital level of 10% or higher. This level of capital is the fuel that runs the engine of the bank to allow us room to grow and achieve the level of profitability our shareholders expect.

Additionally, we continue to fine tune the operation of the bank. You already know we have strategically closed four of our five locations, reduced staffing, and trimmed the cost of virtually every area of the bank. However, we remain ever vigilant to this effort and have further reduced staff this week by 15%. We are also analyzing possible new products to generate additional revenue. As we plan our budget for 2012 it projects we will be profitable for the first time.

Our focus continues to be on attracting and servicing new clients and working to expand our offerings to our current client base. This combination of effort will help us add new strong performing loans to the balance sheet and expand the core deposit base to fund the loans. We continue to be a bank with business banking as our strength. We have many examples over this past year where new clients have experienced the difference we can offer to their business in


structuring loans and offering financial advice for their operations. We always enjoy referrals from our shareholders and encourage you to look for opportunities to introduce your bank, Regal Financial Bank to family and friends.

We encourage you to visit our web site and review the audited year-end financial statement that will be available after March 15th. In 2012 we will work hard to improve all the key ratios that analysts follow for community banks. This effort requires a diligent focus on expenses and quality banking relationships.

Competition will remain keen in this market. We have many local banks that have survived the challenges and will be looking for new business. What will help assure our success is the dedication and skill of our employees focused on servicing the needs of clients. We know banking and love to do it well.

Have a tremendous 2012, and, as always, if you have any questions, please give us a call.

Sincerely,



Randy C. James
Chairman and CEO
Regal Financial Bank



Basant Singh
President
Regal Financial Bank