Helm.
BANK USA

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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KAUFMAN ROSSIN & CO. PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Helm Bank USA
Miami, Florida

We have audited the accompanying balance sheets of Helm Bank USA as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' 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 Helm Bank USA as of December 31, 2010 and 2009, 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.

Kaufman, Rossin & Co.

April 12, 2011

HELM BANK USA

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
	(Dollars in Thousands)	
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 3,343	$ 4,054
Interest bearing deposits with banks	29,376	75,453
Total cash and cash equivalents	32,719	79,507
TIME DEPOSITS	350	10,938
SECURITIES AVAILABLE FOR SALE	420,279	171,032
SECURITIES HELD TO MATURITY	-	167,581
LOANS, NET	282,540	257,443
OTHER REAL ESTATE OWNED	7,068	6,179
PREMISES, FURNITURE AND FIXTURES	1,734	1,854
OTHER ASSETS	9,168	9,779
	$ 753,858	$ 704,313

LIABILITIES AND STOCKHOLDERS' EQUITY	2010	2009
LIABILITIES		
Deposits:		
Demand deposits	$ 266,529	$ 222,466
Now deposits	74,823	51,540
Savings deposits	54,098	39,164
Money market deposits	199,191	190,278
Time deposits	105,299	149,547
Total deposits	699,940	652,995
Other liabilities	4,695	4,397
Total liabilities	704,635	657,392
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, par value $10 per share; 1,000,000 shares authorized, 600,000 shares issued and outstanding	6,000	6,000
Additional paid-in capital	5,800	5,800
Retained earnings	43,901	34,537
Net unrealized gain (loss) on securities available for sale	(6,478)	584
Total stockholders' equity	49,223	46,921
	$ 753,858	$ 704,313

See accompanying notes.

HELM BANK USA
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
	(Dollars in Thousands)	
INTEREST INCOME		
Loans, including fees	$ 14,682	$ 14,797
Securities available for sale	5,664	4,354
Securities held to maturity	3,833	5,673
Federal funds sold	32	20
Interest bearing deposits	92	51
Time deposits	75	133
Total interest income	24,378	25,028
INTEREST EXPENSE		
Deposits	1,317	1,790
Borrowings	-	6
Total interest expense	1,317	1,796
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	23,061	23,232
PROVISION FOR LOAN LOSSES	7,944	7,525
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	15,117	15,707
OTHER INCOME		
Banking transaction fees	2,883	2,193
Other revenue	1,548	1,185
Total other income	4,431	3,378
OTHER (INCOME) EXPENSES		
Salaries and employee benefits	5,566	5,091
Occupancy	662	803
Net loss on sale of other real estate owned	344	592
Impairment loss on other real estate owned	1,130	1,516
Net realized (gain) loss on sale of securities	(9,627)	(2,269)
Other	12,109	11,247
Total other (income) expenses	10,184	16,980
NET INCOME	$ 9,364	$ 2,105

See accompanying notes.

HELM BANK USA

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009 (Dollars in Thousands)

	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain (loss) on securities available for sale	Total	Comprehensive income
Balances - December 31, 2008	$ 6,000	$ 5,800	$ 32,432	$(861)	$ 43,371	
Net change in unrealized gain (loss) on securities available for sale	-	-	-	3,714	3,714	3,714
Less: reclassification adjustment for gains included in income	-	-	-	(2,269)	(2,269)	(2,269)
Net income	-	-	2,105	-	2,105	2,105
Balances - December 31, 2009	6,000	5,800	34,537	584	46,921	
Comprehensive income - 2009						$ 3,550
Net change in unrealized gain (loss) on securities available for sale	-	-	-	2,565	2,565	2,565
Less: reclassification adjustment for gains included in income	-	-	-	(9,627)	(9,627)	(9,627)
Net income	-	-	9,364	-	9,364	9,364
Balances - December 31, 2010	$ 6,000	$ 5,800	$ 43,901	$(6,478)	$ 49,223	
Comprehensive income - 2010						$ 2,302

See accompanying notes.

HELM BANK USA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
	(Dollars in Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,364	$ 2,105
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	516	525
Provision for loan losses	7,944	7,525
Loss on sale of other real estate owned	344	592
Net realized (gain) loss on sale of securities	(9,627)	(2,269)
Net amortization of discounts on investment securities	2,586	2,003
Amortization of loan origination costs	505	412
Amortization of deferred lease incentive	286	286
Impairment loss on other real estate owned	1,130	1,516
Accretion of deferred income	(16)	(30)
Changes in operating assets and liabilities:		
Other operating assets	611	(3,708)
Other liabilities	12	(521)
Total adjustments	4,291	6,331
Net cash provided by operating activities	13,655	8,436
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of securities available for sale	(385,798)	(175,477)
Proceeds from principal paydowns, maturities, calls, and sales of securities available for sale	332,181	98,309
Proceeds from principal paydowns, maturities, sales and calls of securities held to maturity	39,741	92,317
Net change in loans	(44,528)	(4,698)
Purchase of premises and equipment	(396)	(511)
Proceeds from sale of other real estate owned	8,635	7,151
Purchase of securities held to maturity	(67,811)	(110,561)
Net change in time deposits	10,588	(5,648)
Net cash used in investing activities	(107,388)	(99,118)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in escrow accounts	593	328
Repayments of other borrowings	-	(400)
Net change in interest bearing deposits	2,882	69,956
Net change in non-interest bearing deposits	43,470	(8,550)
Net cash provided by financing activities	46,945	61,334
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,788)	(29,348)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	79,507	108,855
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 32,719	$ 79,507

See accompanying notes.

HELM BANK USA

STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
	(Dollars in Thousands)	
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,358	$ 2,360
Income taxes paid	$ -	$ -
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gain (loss) in value of securities available for sale	$(7,062)	$ 1,445
Loans transferred to other real estate owned during the year	$ 10,998	$ 8,263

See accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Helm Bank USA (the "Bank") f/k/a Helm Bank is a state chartered commercial banking financial institution that is engaged in the general commercial banking business. The Bank provides a variety of financial products and services in Miami, Florida and through its representative offices in Colombia, Venezuela, Ecuador, Mexico and Peru. The Bank's principal source of revenue is from residential real estate lending in South Florida, primarily to customers whose principal residence is outside the United States of America. The Bank is subject to the regulations of certain federal and State of Florida agencies and undergoes periodic examinations by those authorities.

At December 31, 2010 and 2009 over one-half of the Bank's loans are to foreign individuals, principally from Venezuela and Colombia. At December 31, 2010 and 2009, approximately three-fourths of the Bank's deposits are from depositors located in Colombia and Venezuela. Additionally, at December 31, 2010 and 2009, approximately 8% of the Bank's deposits are from depositors located within the U.S. and the remainder are from other foreign countries.

Use of Estimates

The accounting and reporting policies of the Bank are in conformity with accounting principles generally accepted in the United States of America and general practices within the banking industry. The 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 disclosures of contingent assets and liabilities as of the balance sheet dates and the reported amounts of revenues and expenses for the years presented. Actual results could differ from those estimates.

The allowance for loan losses is an estimate that is established through charges to earnings. Loans that are determined to be uncollectible are charged against the allowance and any subsequent recoveries are credited to the allowance. Management's judgment in determining the adequacy of the allowance is based upon several factors which include, but are not limited to, the nature and volume of the loan portfolio, review of problem or non-performing loans, overall portfolio quality, reports of regulatory examinations, appraised values of underlying loan collateral and management's judgment with respect to current economic conditions and their impact on the existing loan portfolio. Given the nature of lending activities, it is reasonably possible the Bank's estimate of the allowance for loan losses could change in the future.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand and due from banks and interest bearing deposits with banks.

The Bank, from time to time, maintains deposits with financial institutions in excess of federally insured limits.

Investments in Securities

The Bank's investments in securities are classified in two categories, as follows:

> *Securities Held to Maturity* - Corporate bonds, marketable U.S. government agencies, U.S. Treasury inflation indexed securities, U.S. government mortgage backed securities, and State, County and municipal bonds for which the Bank has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts. Premium and discounts are charged and credited to interest income using the interest method over the period to maturity.
>
> *Securities Available for Sale* - Corporate bonds, marketable U.S. government agencies, U.S. Treasury inflation indexed securities, U.S. government mortgage backed securities, and equity securities. Unrealized holding gains and losses, on securities available for sale are reported as a net amount in a separate component of stockholders' equity until realized.

Gains and losses on the sale of securities available for sale are determined using the specific-identification method and premium and discounts are amortized and accreted utilizing the interest method.

Management evaluates securities for other than temporary impairment. Impairment is evaluated considering numerous factors, and their relative significance varies depending on the situation. Factors considered include the length of time and extent to which the market value has been less than cost; the financial condition and near-term prospects of the issuer of the securities; and the intent and ability of the Bank to retain the security in order to allow for an anticipated recovery in fair value. If, based upon the analysis, it is determined that the impairment is other-than-temporary, the security is written down to fair value, and a loss is recognized through earnings.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans

Loans are stated at the amount of unpaid principal, net of the allowance for loan losses, and net deferred loan origination fees and costs. Interest on loans is generally accrued daily based on the principal balance outstanding. The accrual of interest income is generally discontinued when a loan becomes ninety days delinquent or when management believes that interest on such loans may not be collected in the ordinary course of business. Interest income is recognized on delinquent and impaired loans upon collection.

Loan origination fees, net of costs, are deferred and amortized as an adjustment of the related loan's yield utilizing the interest method. Commitment fees based upon a percentage of a customer's unused line of credit and fees related to standby letters of credit are deferred and recognized over the commitment period.

Allowance for Loan Losses

Management believes that the allowance for loan losses is adequate; however, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and such agencies may require the Bank to recognize additions to the allowance based on their judgment of information available to them at the time of their examination.

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Individually identified impaired loans are measured based on the present value of payments expected to be received, utilizing the historical effective loan rate as the discount rate. Alternatively, measurement may also be based on observable market prices, or for loans that are solely dependent on the collateral for repayment, measurement may be based on the fair value of the collateral. Groups of smaller-balance homogeneous loans (generally consumer loans) are collectively evaluated for impairment. Loans that are to be foreclosed are measured based on the fair value of the collateral. If the recorded investment in the impaired loan exceeds the measure of fair value of the collateral, a valuation allowance is required as a component of the allowance for loan losses. Changes to the valuation allowance are recorded as a component of the provision for loan losses.

Premises, Furniture and Fixtures

Premises, furniture, and fixtures are stated at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements is computed at the lesser of the useful life of the asset or the lease term. The estimated useful lives are as follows:

Furniture, fixtures and equipment	3 - 7 years
Leasehold improvements	l0 years

Other Real Estate Owned

Other real estate owned includes real estate and other assets obtained through foreclosure or repossession. This property is recorded at the lower of cost or estimated fair value less estimated disposal costs. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell.

Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed.

Advertising and Promotion

Advertising and promotion costs are charged to operations as incurred. For the years ended December 31, 2010 and 2009, advertising and promotion expense totaled $135 and $120, respectively.

Income Taxes

The Bank, with the consent of its stockholders, has elected to be taxed under the S Corporation provisions of the Internal Revenue Code. Under these provisions, taxable income or loss of the Bank is reflected by the stockholders on their personal income tax returns. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Bank assesses its tax positions in accordance with "*Accounting for Uncertainties in Income Taxes*" as prescribed by the Accounting Standards Codification, which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return's due date or the date filed) that remain subject to examination by the Bank's major tax jurisdictions. Generally, the Bank is no longer subject to income tax examinations by major taxing authorities for years before 2007.

The Bank assesses its tax positions and determines whether it has any material unrecognized liabilities for uncertain tax positions. The Bank records these liabilities to the extent it deems them more likely than not to be incurred. Interest and penalties related to uncertain tax positions, if any, would be classified as a component of income tax expense.

The Bank believes that it does not have any significant uncertain tax positions requiring recognition or measurement in the accompanying financial statements.

Employee Benefit Plan

The Bank provides a 401(k) plan covering substantially all of its employees, and effective January 1, 2009, amended the Plan to become a Safe-Harbor Plan. Under both Plans, the Bank provides a discretionary match totaling 100% of each participant's contribution, limited to 5% of compensation. Total expenses associated with this plan amounted to $110 and $100 in 2010 and 2009, respectively.

Fair Value Measurements

Fair value is defined as the price that the Bank would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent counter-party in the principal market or in the absence of a principal market, the most advantageous market for the investment or liability. Fair value measurement establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Bank's investments.

The inputs are summarized in the three broad levels listed below.

Level 1 - Quoted prices in active markets for identical assets and liabilities

Level 2 - Other observable inputs, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Debt Securities and Mortgage Backed Securities issued by US Treasury, US Government and Agencies

The fair value of sovereign government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest-rate yield curves, cross-currency-basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority. Sovereign government bonds are categorized as Level 2 of the fair value hierarchy.

State, County and Municipal Bonds

The fair value of municipal bonds is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond or credit default swap spreads and volatility. These bonds are categorized as Level 2 of the fair value hierarchy.

Corporate Bonds

The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads. The spread data used are for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond, or single-name credit default swap spreads and recovery rates based on collateral values as key inputs. Corporate bonds are categorized as Level 2 of the fair value hierarchy. In instances where significant inputs are unobservable, they are categorized in Level 3 of the hierarchy.

At December 31, 2010 and 2009, certain other assets such as impaired loans and other real estate owned, were measured at fair value on a non-recurring basis. Fair value of these assets is estimated on a non-recurring basis using appraised values, which the Bank categorizes as Level 2 and Level 3 of the fair value hierarchy.

(Dollars in Thousands)

NOTE 2. INVESTMENT SECURITIES

The carrying amounts of investment securities as shown in the balance sheets of the Bank and their approximate market values were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Values
Securities available for sale - December 31, 2010:				
Debt Securities issued by US Treasury, US Government and agencies	**$ 240,956**	**$ 181**	**$(4,641)**	**$ 236,496**
US Treasury Inflation Indexed Securities	**52,352**	**3**	**(1,995)**	**50,360**
State, County and Municipal bonds	**19,505**	**248**	**(172)**	**19,581**
US Government mortgage backed securities	**104,633**	**1,007**	**(1,033)**	**104,607**
Corporate bonds	**5,145**	**139**	**(41)**	**5,243**
Other securities - restricted	**1,151**	**-**	**-**	**1,151**
Other securities	**3,014**	**16**	**(189)**	**2,841**
	$ 426,756	**$ 1,594**	**$(8,071)**	**$ 420,279**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Values
Securities available for sale - December 31, 2009:				
Debt Securities issued by US Treasury, US Government and agencies	$ 31,118	$ 111	$(44)	$ 31,185
US Treasury Inflation Indexed Securities	29,442	396	(5)	29,833
US Government mortgage backed securities	90,374	590	(241)	90,723
Corporate bonds	15,331	154	(47)	15,438
Other securities - restricted	1,169	-	-	1,169
Other securities	3,014	5	(335)	2,684
	$ 170,448	$ 1,256	$(672)	$ 171,032
Securities held to maturity - December 31, 2009:				
Debt Securities issued by US Treasury, US Government and agencies	$ 44,182	257	$(28)	44,411
State, County and Municipal bonds	18,460	175	(152)	18,483
US Treasury Inflation Indexed Securities	39,985	2,282	(87)	42,180
US Government mortgage backed securities	62,345	648	(141)	62,852
Corporate bonds	2,609	232	-	2,841
	$ 167,581	$ 3,594	$(408)	$ 170,767

(Dollars in Thousands)

NOTE 2. INVESTMENT SECURITIES (Continued)

On August 19, 2010, the Bank transferred held to maturity (HTM) securities to the available for sale classification and began selling the former HTM securities to take advantage of market opportunities and improve regulatory capital. As a result of the Bank's decision, held to maturity securities with a fair value of approximately $203,349 and with an unrealized gain of $7,410 were transferred to the available for sale portfolio. During 2010, gains on the sale of securities previously classified as HTM totaled approximately $6,246.

As of December 31, 2010 certain available for sale classified investments, primarily mortgage backed securities and municipal bonds, with a fair value of approximately $21,000 and an unrealized loss of $541, were in a loss position in excess of twelve months, while at December 31, 2009, substantially all of the available for sale investment securities with unrealized losses had been in an unrealized loss position for less than twelve months. Management believes that they have the ability and intent to hold the securities classified as available for sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2010 and 2009, management believes the unrealized losses within the investment portfolio are temporary and therefore no impairment loss has been realized in the Bank's income statement.

Included in securities available for sale is approximately $1,665 of Bank of America Perpetual Preferred Stock (PPS), which as of December 31, 2010 was rated below investment grade by various credit agencies. Management believes that the rating below investment grade is not indicative of the security being other-than-temporarily-impaired (OTTI) at December 31, 2010 and therefore the $189 unrealized loss at that date is appropriately classified in comprehensive loss at December 31, 2010.

Securities available for sale at December 31, 2010 are scheduled to mature as follows:

	Amortized Cost	Fair Value
Due in one year to five years	$ 81,067	$ 80,835
Due in five years to ten years	80,444	79,028
Due after ten years	265,245	260,416
	$ 426,756	$ 420,279

Actual duration of U.S. Government agency obligations and U.S. Government mortgage backed securities may differ from the contractual maturities due to loan pre-payments and early pay-offs.

During 2010 and 2009, the Bank realized gross gains on the sale of securities available for sale aggregating $9,627 and $2,269, respectively.

(Dollars in Thousands)

NOTE 2. INVESTMENT SECURITIES (Continued)

The Federal Home Loan Bank of Atlanta (FHLB) requires each member bank to own a certain amount of FHLB shares based on total advances outstanding. At December 31, 2010 the Bank owned 11,514 shares, with a par value of $1,151 included as other securities-restricted, in the securities available for sale category.

NOTE 3. LOANS

Loans classified by type are summarized as follows:

	2010	2009
Real estate	**$ 242,256**	$ 215,758
Consumer	**6,370**	6,142
Commercial and business	**38,111**	39,466
Other	**3,952**	3,409
	290,689	264,775
Unamortized loan origination costs on real estate loans	**793**	1,069
Unamortized loan fees on real estate loans	**(271)**	(287)
Allowance for loan losses (Note 4)	**(8,671)**	(8,114)
	$ 282,540	$ 257,443

Loans have initial terms ranging from 5 to 30 years for real estate located primarily in Miami-Dade County, Florida, 1 to 5 years for commercial and business, and 3 to 5 years for consumer loans.

Loans outstanding to individuals whose principal residences were outside the United States at December 31, 2010 and 2009 were $166,172 and $138,599, respectively.

At December 31, 2010 and 2009, the total recorded investment in impaired loans (approximating loans on non-accrual status excluding loans modified in a troubled debt restructuring) amounted to $13,970 and $22,746, respectively and the average recorded investment in impaired loans during 2010 and 2009 totaled $18,130 and $23,529, respectively. At December 31, 2010 and 2009, impaired loans with a carrying amount of $9,675 and $9,892 had a specific reserve of $1,441 and $2,735, respectively included in the allowance for credit losses. Interest income that would have been recorded if such loans were performing in accordance with their terms for the years ended December 31, 2010 and 2009 was $893 and $1,401, respectively.

(Dollars in Thousands)

NOTE 3. LOANS (Continued)

At December 31, 2010 and 2009, the total recorded investment in loans modified in a troubled debt restructuring, and also considered impaired, amounted to $33,122 and $34,489, respectively. The Bank has recorded approximately $1,700 and $2,000 of related allowance for customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2010 and 2009, respectively. The Bank has not committed to lend any additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

At December 31, 2010 and 2009, total variable rate loans were $252,034 and $230,040, respectively, while total fixed rate loans were $30,506 and $27,403, respectively, for the same periods.

NOTE 4. ALLOWANCE FOR LOAN LOSSES

Transactions affecting the allowance for loan losses are summarized as follows:

	2010	2009
Balance at January 1	**$ 8,114**	$ 11,116
Provision for loan losses	**7,944**	7,525
Loans charged off	**(7,727)**	(11,203)
Recoveries	**340**	676
Balance at December 31	**$ 8,671**	$ 8,114

NOTE 5. PREMISES, FURNITURE AND FIXTURES

Premises, furniture and fixtures are summarized as follows:

	2010	2009
Furniture, fixtures and equipment	**$ 2,717**	$ 2,494
Leasehold improvements	**2,277**	2,105
	4,994	4,599
Less accumulated depreciation	**(3,260)**	(2,745)
	$ 1,734	$ 1,854

Depreciation expense for 2010 and 2009 was $516 and $525 respectively.

(Dollars in Thousands)

NOTE 6. OTHER ASSETS

Other assets are summarized as follows:

		2010		2009
Interest receivable	**$**	**3,845**	$	3,645
Due from loan servicers		**1,747**		1,573
Prepaid FDIC assessment		**3,232**		4,333
Other assets		**344**		228
	$	**9,168**	$	9,779

The Bank has a loan servicing agreement with a third party to service essentially all residential real estate loans. Amounts due from loan servicers represent amounts collected from borrowers but not yet remitted to the Bank.

NOTE 7. DEPOSITS

Time deposits, issued in denominations of $100 or more, amounted to $67,920 and $107,723 at December 31, 2010 and 2009, respectively. Time deposits from foreign individuals and corporations at December 31, 2010 and 2009 were approximately $102,372 and $130,560, respectively. Demand and interest bearing deposits including time deposits from foreign individuals and corporations at December 31, 2010 and 2009 were approximately $647,515 and $598,869, respectively.

Aggregate maturities of time deposits at December 31, 2010 were as follows:

2011	$	93,414
2012		10,678
2013		912
2014		283
2015		12
	$	105,299

(Dollars in Thousands)

NOTE 7. DEPOSITS (Continued)

Interest expense on deposits is summarized as follows:

	2010	2009
Now	**$ 76**	$ 54
Savings	**55**	44
Money market	**246**	213
Time deposits in denominations of $100 or more	**461**	772
Other time deposits	**479**	707
	$ 1,317	$ 1,790

At December 31, 2010 there were thirty-eight time deposits with balances greater than $400 aggregating approximately $27,983. At December 31, 2009 there were fifty-two time deposits with balances greater than $400 aggregating approximately $60,255.

NOTE 8. LINES OF CREDIT

During 2010 and prior, the Bank established lines of credit with various domestic and international financial institutions which at December 31, 2010 and 2009 aggregated $18,000 and $17,500, respectively, for the purpose of purchasing overnight federal funds. At December 31, 2010 and 2009, no amounts were outstanding on these lines.

NOTE 9. OTHER BORROWINGS

In December 1995, the Bank entered into an agreement ("Agreement for Advances and Security Agreement with Blanket Floating Lien", hereafter referred to as "the Agreement") with the FHLB. Pursuant to the Agreement, the Bank is currently entitled to borrow up to $100,108 and has pledged as collateral its 1-4 family first mortgage loan portfolio, aggregating $160,781 at December 31, 2010. At December 31, 2010 and 2009, no amounts were outstanding on this line.

NOTE 10. STOCKHOLDERS EQUITY

Subsequent to December 31, 2010, the stockholders of the Bank invested $6,000 into the Bank in exchange for 300,000 shares of common stock.

(Dollars in Thousands)

NOTE 11. OTHER EXPENSE

Other expense is summarized as follows:

		2010		2009
Representative offices	**$**	**4,299**	$	3,567
Data processing		**1,357**		1,249
FDIC insurance		**1,337**		1,026
Depreciation		**516**		525
Consulting fees		**756**		849
Advertising		**135**		120
Equipment rental		**174**		168
Loan servicing fees		**240**		259
Printing		**164**		191
Other		**1,884**		1,898
Other real estate owned expenses		**1,247**		1,395
	$	**12,109**	$	11,247

NOTE 12. RELATED PARTY TRANSACTIONS

Various deposit accounts other than time deposits were maintained by domestic and foreign institutions related by virtue of common control. Aggregate deposits from these related parties were approximately $9,501 and $17,565 at December 31, 2010 and 2009, respectively.

During 2010 and 2009, various short-term time deposits were issued to entities related by virtue of common ownership. In 2010, these time deposits, which ranged in amount from $41 to $30,000, had various terms, at interest rates ranging from 0.05% to 0.13%. In 2009, these time deposits, which ranged in amount from $41 to $41,000, had various terms, at interest rates ranging from 0.04% to 0.75%. At December 31, 2010 and 2009, total interest expense incurred in connection with these deposits was $4 and $26, respectively. At December 31, 2010 and 2009, there was $81 and $18,483, respectively, in time deposits from these affiliates.

The Bank has a service agreement with an entity related by virtue of common ownership to provide various support services. In both 2010 and 2009, the bank incurred fees under this service agreement totaling $360, which are included in other operating expenses.

NOTE 13. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet credit risks, interest rate and liquidity risks. These financial instruments principally include unused lines of credit, unused credit card balances, and letters of credit. At December 31, 2010 and 2009, unused lines of credit totaled $18,995 and $15,842, and letters of credit totaled $700 and $2,484 respectively, all at variable interest rates.

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

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. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include property and deposit accounts.

At December 31, 2010, the Bank had approved fixed and variable rate loans approximating $5,429 with rates ranging from 4.75% to 6.0%, which were not closed at December 31, 2010.

During the ordinary course of operations, the Bank, from time to time, may be a defendant in legal matters, primarily relating to foreclosure proceedings. At December 31, 2010, management believes that there were no matters pending which would materially impact the financial position of the Bank.

Leases

The Bank occupies office space under a lease with a ten year term with one five year renewal period and two successive three year renewal periods. The Bank subleases a portion of the space to a related party, which extends through the lease period.

In addition, the Bank leases vehicles, office equipment, and representative offices under various non-cancelable operating leases.

(Dollars in Thousands)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Approximate future annual minimum payments, including common area maintenance, real estate taxes, and insurance as of December 31, 2010 under the leases and subleases are as follows:

	Annual Amount	Sublease Amounts	Net Minimum Payment
2011	$ 1,075	$ 159	$ 916
2012	973	122	851
2013	888	124	764
2014	609	83	526
2015	18	-	18
	$ 3,563	$ 488	$ 3,075

Net rent expense amounted to $579 and $730 in 2010 and 2009, respectively.

During 2007, the Bank received $1,500 as incentive to remove a clause within its office lease allowing the "right of first offer to purchase the building." The $1,500 was recorded in other liabilities as a deferred lease incentive, which is amortized as a reduction to rent expense over the remaining life of the lease. At December 31, 2010 and 2009, deferred lease incentives aggregated $1,179 and $1,465, respectively, and is included in other liabilities in the accompanying balance sheets.

NOTE 14. 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 and the regulatory framework for prompt corrective action, the Bank must meet specific capital 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 amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

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 total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2010, that the Bank meets all capital adequacy requirements to which it is subject.

(Dollars in Thousands)

NOTE 14. REGULATORY MATTERS (Continued)

As of December 31, 2010, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as "well capitalized" under the regulatory framework described above for prompt corrective action. To be categorized as "well capitalized", the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

Minimum requirements for the Bank to be considered adequately capitalized, or well capitalized, are as follows:

	Adequately Capitalized	Well Capitalized
Total capital to risk-weighted assets	≥ 8%	≥ **11%**
Tier I capital to risk-weighted assets	≥ 4%	≥ **6%**
Tier I capital to average assets	≥ 4%	≥ **7%**

At December 31 the Bank's ratios as calculated by management were as follows:

	2010	2009
Total capital to risk-weighted assets	**20.31 %**	17.30 %
Tier I capital to risk-weighted assets	**19.04 %**	16.03 %
Tier I capital to average assets	**7.13 %**	6.38 %

These rates exceed the minimum FDIC requirements for a "well capitalized" institution for both years.

The Bank's capital ratios are subject to review and interpretation by regulatory authorities, whose calculations may differ from the above.

NOTE 15. FAIR VALUE MEASUREMENTS

The following table presents information about the Bank’s assets measured at fair value on a recurring basis as of December 31, 2010 and 2009:

ASSETS, at fair value as of December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Securities available for sale	$ -	$ 420,279	$ -	$ 420,279

(Dollars in Thousands)

NOTE 15. FAIR VALUE MEASUREMENTS (Continued)

ASSETS, at fair value as of December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Securities available for sale	$ -	$ 171,032	$ -	$ 171,032

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). Assets measured at fair value on a non-recurring basis include certain impaired loans and other real estate owned.

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. Certain impaired loans were remeasured and reported at fair value through a specific allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral.

For assets measured at fair value on a nonrecurring basis that were recorded at fair value on the accompanying balance sheets, the following table provides the level of valuation assumptions used to determine the respective fair values:

December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses
Impaired loans	$ -	$ 15,594	$ 9,448	$ 7,822
Other real estate owned	-	1,734	-	1,130
	$ -	$ 17,328	$ 9,448	$ 8,952

(Dollars in Thousands)

December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses
Impaired loans	$ -	$ 5,982	$ 3,910	$ 2,735
Other real estate owned	-	1,854	-	1,516
	$ -	$ 7,836	$ 3,910	$ 4,251

The Bank also discloses estimated fair values of its financial instruments, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The methodologies for other financial assets and financial liabilities are discussed below. The Bank in estimating the fair values of financial instruments disclosed herein used the following methods and assumptions:

Cash and cash equivalents - The carrying amounts of cash and short-term instruments approximate their fair value.

Securities held to maturity - Based upon valuation models that use observable inputs such as interest rates, index spreads and other relevant factors.

Loans receivable - Fair value of variable rate loans approximate carrying value as the portfolio reprices frequently. Fair values for fixed-rate commercial, residential and certain variable rate loans with interest rate floors are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Deposit liabilities - The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of short-term money market accounts and certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Other borrowings - The carrying amounts of short-term borrowings approximate their fair values. Fair values for borrowings are estimated using a discounted cash flow calculation that applies interest rates currently being offered on advances to a schedule of aggregated expected monthly maturities.

(Dollars in Thousands)

NOTE 15. FAIR VALUE MEASUREMENTS (Continued)

Accrued interest - The carrying amount of accrued interest approximates its fair value.

Loan Commitments, Standby and Commercial Letters of Credit - The Bank's lending commitments have variable interest rates and "escape" clauses if the customer's credit quality deteriorates. Therefore, the fair values of these items are not significant and are not included in the following table.

The estimated fair values of the Bank's financial instruments as of December 31 were as follows:

2010	Carrying Amounts	Fair Value
Financial Assets:		
Cash and cash equivalents	**$ 32,719**	**$ 32,719**
Time deposits	**350**	**350**
Securities available for sale	**420,279**	**420,279**
Securities held to maturity	**-**	**-**
Loans receivable	**282,540**	**286,719**
Accrued interest receivable	**3,845**	**3,845**
Financial Liabilities:		
Deposit liabilities	**699,940**	**700,439**
Other borrowings	**-**	**-**

2009	Carrying Amounts	Fair Value
Financial Assets:		
Cash and cash equivalents	$ 79,507	$ 79,507
Time deposits	10,938	10,938
Securities available for sale	171,032	171,032
Securities held to maturity	167,581	170,767
Loans receivable	257,443	254,814
Accrued interest receivable	3,645	3,645
Financial Liabilities:		
Deposit liabilities	652,995	655,158
Other borrowings	-	-

NOTE 16. SUBSEQUENT EVENTS

The Bank has evaluated subsequent events through April 12, 2011, which is the date the accompanying financial statements were available to be issued.